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NEWS SUMMARY

GENERAL

Polish police storm college

Polish troops stood by as police landed by helicopter to expel 330 trainee firemen occupying their Warsaw college over demands that they come under civilian control.

Other police broke down the college's main gates.

It was the first use of force in a city since the crisis started 15 months ago. Page 2

Prisons planned

Home Secretary William Whitelaw said two more prisons will be built to help solve overcrowding. Page 10

SDP leaders

Shirley Williams and David Owen will become joint leaders of the 25-strong SDP parliamentary group.

Civil Service cuts

A number of the most senior Civil Service jobs will be eliminated. Page 6

Concorde cost

Cancelling Concorde would cost Britain and France more than continuing the present level of financial support, a joint study said. Page 8

Toxteth charges

A Merseyside police sergeant and a constable will be charged next month with the manslaughter of disabled David Moore during the summer riots in Toxteth.

Air inquiry call

Air traffic controllers called for the findings of near-miss inquiries to be made public after the incident involving Prince Philip.

Bail over hijack

Former mercenary leader Col "Mad Mike" Hoare and four others were bailed in Pretoria on charges linked to last week's airliner hijack in the Seychelles. Thirty-nine men were freed. Page 3

BL talks go on

BL management reopend talks with trade unions over the Longbridge teabreak strike. Page 9

Appeal refused

The Appeal Court refused three men leave to appeal against their convictions of murdering West Midlands newsboy Carl Bridgewater.

Test complaint

The Indian Cricket Control Board rejected England's protest about umpiring and the state of the wicket in the first test, won by India by 138 runs.

'Stop rugby tour'

Wales Under-Secretary Michael Roberts asked the Welsh Rugby Union to cancel its South African tour in May.

Peerless Wigan

FT racing expert Dominic Wigan napped 9-1 winner Mr Moonraker yesterday to take his season's profit on a £1 stake past £20. Racing, Page 13

Pooling £1.2m

Middlesbrough draughtsman Ken Smith and an Oxfordshire woman shopkeeper shared a Littlewoods pools win of £1,211,020.

Briefly . . .

Abbey National Building Society cut its 15 per cent mortgage by ½ per cent for first-time buyers. Page 6

BBC will spend £8.8m on its Christmas television programmes. Page 8

Body of Albert Mugabe, brother of Zimbabwe's Prime Minister, was found in a swimming pool. Soviet climbers will make their first attempt on Mount Everest in March.

Several Japanese ships were missing in sea storms.

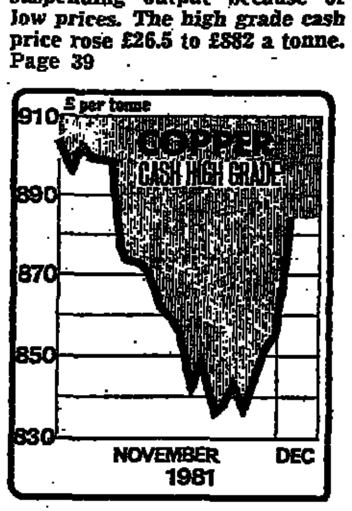
Swansea Bay pollution is well above World Health Organisation limits, said a chief health officer.

BUSINESS

EEC may cut steel exports to U.S.

● EEC has secretly offered the Reagan Administration an "orderly marketing arrangement" which could cut the Community's annual steel exports to the U.S. from 5m tonnes to about 3.5m. Back Page

● COPPER rose sharply on news that Duval Mining was suspending output because of low prices. The high grade cash price rose £26.5 to £882 a tonne. Page 39



● DOLLAR eased in subdued trading, closing at DM 2.218 (DM 2.221), SwFr 1.7775 (SwFr 1.7825) and Y214.5 (Y216.25). Its trade-weighted index was 105.5 (105.7). Page 32

● STERLING was steady, rising to $1.953 ($1.9475) and DM 4.3325 (DM 4.3275), but easing to FFr 10.9275 (FFr 10.93). Its trade-weighted index was unchanged at 91.8.

● GOLD rose $7.25 in London to $409.75. In New York, the Comex December close was $423.75. Page 32

● EQUITIES were steady, with the FT 30-share index rising 0.2 to 531. Page 40

● GILTS recovered after Tuesday's setback. The Government Securities Index gained 0.09 to 64.3. Page 40

● WALL STREET was down 4.18 at 886.04 near the close. Page 33

● FRENCH JOBLESS total rose 1.4 per cent to 1.84m last month, according to provisional figures. Page 2

● RHEINBRAUN, the West German lignite producer, will build a DM 600m (£138m) coal gasification plant, the world's biggest using modern technology. Page 2

● THORN Consumer Electronics and Mitsubishi Electric agreed to exchange information on television technology.

● PREMIER AUTOMOBILES of India signed technical co-operation agreements with Iveco and Fiat to produce cars and trucks. Page 30

● BRITISH STEEL Corporation reduced first-half pre-tax losses from £279m to £196m. Page 8; Pay deal brinkmanship, Page 9

● NATIONAL WATER Council borrowed £33.6m to help finance water, sewerage and reservoir projects in England. Page 6

● EXPRESS NEWSPAPERS chairman Lord Matthews said the Daily Express and associated titles were not for sale. Page 9.

● TRUSTHOUSE FORTE bought Madrid's luxury Ritz Hotel.

● M. L. DOXFORD, the troubled London commodity broker, went into voluntary liquidation. Page 8

● FERRANTI, the electrical and electronic engineering group, boosted pre-tax profits 47 per cent to £9.4m in the half-year to September 30. Page 25; Lex Back Page

● PILKINGTON BROTHERS, the glassmaker, saw pre-tax profits fall from £35m to £22.9m in the half-year to September 26. Page 24; Lex Back Page

● TURNER & NEWALL will sell the BIPEL engineering division of its British Industrial Plastics subsidiary in a management buy-out. Page 24

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			RHM	67	+ 5½
Barclays Bank	460	+ 8	Sangers	38	+ 8
Barratt Develps	263	+ 8	Claremont Pet	37	+ 12
Bell (A.)	150	+ 6	Cns Plants Wts	133	+ 13
British Sugar	368	+ 6	Anglo American	674	+ 24
Dowty	139	+ 6	Randfontein Ests	£30¾	+ ¼
English China Clays	154	+ 8			
GEC	793	+ 10	FALLS		
Highland Distills	81	+ 4	Brown (J.)	64	− 14
ICI	294	+ 6	GKN	166	− 5
Imperial Group	72	+ 4	Jenks Cattell	80	− 8
Midland Bank	335	+ 7	Nimslo	145	− 20
Plessey	340	+ 6	Pilkington	278	− 20
Racal Electronics	425	+ 7	Durban Deep	923	− 24

GLOOMY TREASURY FORECAST SEES OUTPUT INCREASING BY ONLY 1 PER CENT NEXT YEAR

Public spending rise of 9.5% planned

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GOVERNMENT plans to increase public spending by 9.5 per cent next year, compared with the plans for this year, just a little less than what it now expects the rate of inflation will be.

Sir Geoffrey Howe, the Chancellor, told the Commons yesterday that the total spending programme for 1982-83 would rise by £5bn to £115bn. This compares with the plans announced at the time of the last Budget, which in cash terms are now estimated to be worth £110bn. Plans for the current year are valued at £105bn in cash.

In spite of the increase, the Government still appears to be aiming to keep public borrowing to the amount projected last spring, which is widely assumed to imply a borrowing target of £9bn next year.

The Chancellor's statement coincided with the sombre predictions for the UK economy in the Treasury's official forecast, also published yesterday.

This suggests that output will grow sluggishly by only about 1 per cent next year, inflation will remain in double figures although falling towards the end of the year, real take-home earnings will fall, and unemployment will rise well past 3m, including school-leavers.

The expected rise in unemployment has evidently encouraged the Chancellor to allow some spending programmes to increase. In particular, nearly £800m has been added to the £2bn programme for employment and training.

Spending on social security payments will also increase substantially, partly because of the rise in the number of unemployed and partly because of a £1.5bn increase expected in pensions payments.

To pay for the increase, the Chancellor said employees' National Insurance contributions will be raised by 1 per cent to 8.75 per cent from April. This was widely expected.

Also as expected, the Government has resisted the temptation to take harsh measures against the unemployed by reducing the value of benefits. However, between one and two per cent will be sliced off the value of social security payments, which will rise by only 10 per cent this year rather than by the full amount of inflation.

The Chancellor announced several other measures aimed at offsetting extra spending. These included a 30 per cent increase in the account the public will pay in prescription charges, to £1.30. This will bring in an estimated £30m a year.

There will also be savings from a reduction in the value of student grants, which will rise by only 4 per cent next year.

However the main squeeze will be put on public administration costs, which will be subject to a reduction of 2 per cent on top of the squeeze implied by the figure of 4 per cent allowed for total pay increases.

Sir Geoffrey said the Government still hoped to shed 102,000 Civil Service jobs in the period between the last election and April 1984.

He said: "The administrative costs of central government are not far short of 10 per cent of total public expenditure. We are determined to reduce that proportion and to maintain the drive for more efficient management throughout the public sector."

Apart from the squeeze which the Government plans to apply to public sector pay, the key assumption which underlies the whole of its expenditure calculations is that public sector costs will rise by only 7 per cent.

Because public expenditure is now planned in cash terms, departments are expected to stick to their cash budgets even if costs rise by more than the 7 per cent allowed.

Because of the tight cost assumptions, some overrun may be expected: actual spending in the current year is expected to be £2bn above the planned total for public expenditure of £105bn.

The Government has conceded that the total expenditure planned for next year amounts to an increase measured in the old volume terms (roughly a measure of actual goods and services) compared with last year. This contrasts with the Government's medium-term strategy, which envisaged a steady reduction in the volume of public spending.

However, since output is expected to rise a little, public spending is likely to be a slightly smaller proportion of Gross Domestic Product than the 45 per cent figure expected for this year.

This suggests that the Chancellor may have a little room for manouvre in the next Budget, even though spending will clearly increase by more than the Treasury would like.

The slightly higher output, the improved profits expected in industry, and the higher than expected rate of inflation should all help to boost revenue.

Although the Chancellor said it was "too early to judge with precision what these changes will mean for next year's public sector borrowing requirement," there appeared to be little expectation last night of an increase in taxes, rather it was felt that they could even be cut.

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STATE SPENDING: Increased by a net 9.5 per cent compared with this year's plans. Spending to increase by £6bn compared with the Budget White Paper plan, which is now put at £110bn in cash terms, but offset by £1bn of savings.

UNEMPLOYMENT: Government Actuary's assumption is that unemployment in Great Britain this year will average 2.6m rising to an average of 2.9m next year, excluding school leavers.

OUTPUT: Expected to increase by 1 per cent next year.

INFLATION: Expected to be 10 per cent next year.

EARNINGS: A further fall in after-tax real income predicted for next year.

MONEY SUPPLY: Assumed to grow at top end of the 5 to 9 per cent target range next year.

NATIONAL INCOME: Gross Domestic Product in money terms projected to rise by 11 per cent next year.

BORROWING: Public sector borrowing next year could be near the projections made at the last Budget of 2½ per cent of GDP, which implies £9bn to £10bn.

NATIONAL INSURANCE: Employees' contributions to be increased from next April from 7.75 per cent to 8.75 per cent of earnings between £29.5 per week and £220 per week. Limits up from £27 and £200 respectively. Employers' rate unchanged.

NATIONAL HEALTH: Prescription charges to be raised to £1.30 or by 30 per cent. Dental and other health charges also up. Allocation to NHS up 0.1 per cent.

SOCIAL SECURITY: Expenditure to increase with £1.5bn more for pensions. Social security payments this year to go up by less than the full rate of inflation, with the shortfall on long term beenfits made good in November 1982.

LOCAL AUTHORITIES: Total provision to increase by £1.35bn for current expenditure in Britain but rate support grant to be cut by 3 percentage points to 56 per cent in England and by 0.9 percentage points to 72.5 per cent in Wales.

EMPLOYMENT AND TRAINING SERVICES: To get an extra £800,000 compared with present £2bn a year expenditure.

DEFENCE: Spending increased by £480m over White Paper plans to total of £14.1bn.

NATIONALISED INDUSTRIES: An extra £1.3bn to be added to external financing limits, compared with industries' call for an extra £2.5bn, bringing total provision to £2.77bn.

STUDENT GRANTS: To be increased by only 4 per cent, a cut in real terms of about 6 per cent.

● Howe and Treasury statements, Pages 10, 11 an d 12 ● Feature and Editorial Comment, Page 22 ● Lex, market and industry reaction, Back Page.

Tory MPs give grudging support

BY PETER RIDDELL, POLITICAL EDITOR

THE PUBLIC spending statement was unenthusiastically received yesterday by Tory MPs. Sir Geoffrey Howe, the Chancellor, appeared however to have won the grudging support of most backbenchers, at least until the spring Budget when they hope he will be able to offer something more positive.

He was given a polite but cool hearing when he last night attended a packed meeting of the Tory backbench Finance Committee. Some speakers complained about a loss of direction in the Government's strategy.

The signs are that relatively few strong critics of the Treasury will abstain next Tuesday when the measures are debated and possibly later when legislation on National Insurance contributions is put forward.

Several MPs argued that the proposed savings on unemployment benefit were relatively small and that this proposal should be reconsidered.

The statement was widely seen by MPs of all parties as a bare first instalment of economic decisions which will only be completed by the announcements of taxes in the spring Budget.

Some Tory backbenchers with a close interest in the economy noted the Chancellor's point that, after these spending decisions, public sector borrowing in 1982-83 should be roughly consistent with previous predictions. They inferred that there would, therefore, be no need for tax increases next spring.

Some hoped there would be scope for tax reductions, especially since the assumptions about the scale of proceeds from the sale of assets appeared cautious and excluded the disposal of North Sea oil and gas interests.

During questions in the Commons yesterday, Sir Geoffrey repeatedly refused to be drawn on whether there would be any scope for tax reductions next spring.

Some Tory MPs expressed relief that the spending measures were not harsher than had been feared. But in general there was disappointment that the Chancellor had offered no real hope or direction about where his strategy is going.

Of roughly a dozen questions from Tory MPs after the statement, only two were favourable. From the so-called wet side, Sir Ian Gilmour, a former Cabinet Minister, noted the contrast between the Treasury's aim of reducing inflation and the increase in public sector charges.

Mr Hal Miller, a Midlands MP and former Parliamentary Private Secretary to Mr Francis Pym, Leader of the Commons, questioned what increases in industry's costs could achieve and urged a more positive approach.

Other MPs also wondered about the impact of the measures on industry's costs and there was clear disappointment that nothing had been done to reduce the employers' national insurance surcharge.

Several MPs later complained privately that, after 2½ years in office, the Government was still not able to control spending and therefore faced a postponement of its hopes of cutting inflation.

There was universal criticism from the Opposition benches. Mr Peter Shore, the shadow Chancellor, particularly criticised the forecasts of only 1 per cent growth next year. He said that on this basis it would be 1990 before national output was up to the level of the last election.

For the Social Democrats, Mr John Horam argued that what was really needed was an increase in demand without stoking up inflation, not status quo expenditure plans. He maintained that there was no real reflation at present.

Mr Richard Wainwright, for the Liberals, also criticised the failure to cut the employers' national insurance surcharge.

Tanker drivers vote to accept 8.1% pay offer

BY IVO DAWNAY, LABOUR STAFF

TANKER DRIVERS and depot men at three big oil companies have rejected a union call to strike in support of an 11 per cent wage claim.

The decision, announced after meetings of senior shop stewards in London yesterday, lifts the threat of widespread fuel shortages.

It comes as a setback to Transport Union officials, who had predicted overwhelming backing for industrial action after polling at Esso, Shell and Texaco terminals this week.

About 2,000 Esso drivers and depot men voted by two to one to reject a call for an immediate all-out strike and accept the company's 8.1 per cent offer. Texaco and Shell drivers voted by a slightly narrower margin to accept the deal.

Mr Jack Ashwell, TGWU road transport secretary, said he was surprised and disappointed by the ballot results. He believed the men could have won a higher settlement, but a number of factors — including family pressures and the approach of Christmas — had resulted in acceptance of the offer.

The ballot results follow weeks of confusion and speculation over threats by the drivers to disrupt petrol supplies. The drivers originally sought an 11 per cent pay rise, in line with a Mobil settlement in May, a shorter working week and extra pay for Northern Ireland drivers.

The situation was further complicated by a warning from Mr Alex Kitson, assistant TGWU general secretary, that the tanker drivers could be used to frustrate the Government's plans to restrain the growth in wages and force at least a change in economic policy.

The companies' initial 6.7 per cent offer, made in October, was raised to 8.1 per cent early last

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Ford stewards recommend action, Page 9

German summit starts next week

BY LESLIE COLITT IN BERLIN

CHANCELLOR Helmut Schmidt of West Germany and Herr Erich Honecker, East Germany's Communist Party leader and President, will meet officially for the first time between December 11 and 13 in East Germany.

Both have been anxious to meet since the failure of two earlier attempts to arrange a German summit.

When President Leonid Brezhnev gave his blessing to inter-German talks during his visit to Bonn last week, he prompted both sides to move quickly.

While the Soviet Union and the U.S. have been barely on speaking terms in the past two years, Herr Schmidt and Herr Honecker have tenaciously maintained contact.

The meeting will be only the second face-to-face discussion since the war between East and West German leaders. The first, between Herr Willy Brandt and Herr Willi Stoph, Prime Minister of East Germany, took place in Erfurt in the East and Kassel in the West in 1970.

Herr Kurt Becker, the West German Government spokesman, said yesterday that Chancellor Schmidt was going to East Germany without high expectations, and would have "talks," not "negotiations," with Herr Honecker on a limited number of topics.

Economic subjects would be foremost on the agenda.

They will include extension of the interest-free "swing" credit which allows East Germany to overdraw its account to buy West German goods.

The present swing accord between the two sides, granting the East Germans a credit of DM 850m (£196.5m) a year, expires at the end of this year, and no negotiations have been held to renew it.

Bonn, like East Berlin, is keen to see an extension. But the independent Bundesbank in Frankfurt, which has so far carried the interest rate losses involved in the arrangement, is known to have reservations about continuing the swing in its present form.

The matter is likely to be discussed in Frankfurt today when Count Otto Lambsdorff, the Economics Minister, attends a meeting of the Bundesbank Council.

Inter-German trade, worth DM 11.7bn last year, is regarded by Bonn as one of the chief bonds still holding together the two German States. West Germany has agreed to talk about concluding a long-term economic agreement, in which the East Germans are particularly interested.

The West German Opposition Christian Democrats want to link these economic questions with the more difficult humanitarian problems.

The main one is East Germany's refusal to reduce the amount of money West Germans must exchange before visiting friends and relatives in East Germany.

Since the sum was tripled

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£ in New York

—	Dec. 1	Previous
Spot	$1.9485-9505	$1.9655-9670
1 month	0.54-0.51 dis	0.64-0.60 dis
3 months	1.22-1.18 dis	1.40-1.35 dis
12 months	1.96-1.85 dis	2.35-2.20 dis

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West Germany to build world's biggest coal gasification plant

BY KEVIN DONE

WEST GERMANY is to press ahead with building of the world's biggest commercial scale coal gasification plant using modern technology. It will give a considerable boost to the country's ambitious long-term plans to develop techniques for producing gas and oil products from coal.

The plant is to be built by Rheinbraun (Rheinische Braunkohlenwerke), West Europe's biggest lignite producer, at a cost of DM 600m (£138m) and without any financial support from the state. It will convert lignite into synthesis gas (carbon monoxide and hydrogen) for use as the feedstock for producing methanol, an important base petrochemical. Methanol is used, among other things, for manufacturing ammonia but it can also be added to petrol for use as motor fuel.

The first stage of the plant should be completed in 1984. By 1988, when the plant reaches full production, it will be capable of an output of about 1bn cubic metres of synthesis gas a year through the conversion of some 2m tonnes of lignite. This capacity will allow production of around 350,000 tonnes of methanol annually, replacing the equivalent of 500,000 tonnes of crude oil.

The Government is pursuing urgently the policy of cutting West Germany's overwhelming dependence on oil which still accounts for more than 45 per cent of its primary energy consumption. Nearly two-thirds of the country's energy requirements have to be imported, and lignite, along with hard coal, represents the country's only abundant domestic energy resource.

Dr Peter Speich Rheinbraun Board member for coal conversion and research said yesterday that the production of synthesis gas from lignite was already competitive with gas produced from fuel oil or natural gas.

The original (Winkler) lignite gasification process for producing synthesis gas was developed in Germany to a commercial scale during the 1930s.

Gas production by Rheinbraun based on this old technology was continued until 1964 but had to be abandoned in the face of growing imports of cheap oil and natural gas.

The 15-fold increase in crude oil prices since 1973-74 has made lignite gasification competitive again based on an updated process ("High Temperature Winkler") developed by Rheinbraun.

The company is also pursuing plans for building lignite conversion plants to produce substitute natural gas (methane) and also oil products but these are unlikely to be realised on a commercial scale before the beginning of the 1990s.

Aside from the Rheinbraun project the Economics Ministry is planning to subsidise the building of three commercial-scale hard coal gasification plants with a total of DM 1bn in the years 1982-85. The Research Ministry has also earmarked a further DM 950m for spending on the development of coal conversion technology chiefly for coal liquefaction.

Rheinbraun itself is also pushing ahead with lignite liquefaction in Australia in the second half of the decade with the aim of importing the resulting oil products to West Germany.

AUTHORITIES RISK CONFRONTATION WITH SOLIDARITY

Polish police storm into college

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH authorities risked confrontation with Solidarity yesterday when they ordered police to expel about 330 trainee firemen who where occupying their college in Warsaw.

A helicopter took police into the college courtyard while other units broke down the gates.

There were unconfirmed reports of several casualties

It was the first time the authorities had used force in a major city since the crisis began 15 months ago. Solidarity had guaranteed the safety of the trainees, and it is believed they offered no resistance

Troops were held in reserve during the operation which involved several thousand men and lasted two hours. Trainees packed belongings and were taken by bus to Warsaw railway stations

They had been demanding that their college, which comes under the Ministry of the Interior, be demilitarised and run like any other institution according to a higher education act being debated in parliament.

The authorities insist it is a paramilitary institution and should be excluded

Yesterday's action came after warnings by the authorities to the students to leave the college. On Monday, the authorities decided to close the college for a strike alert and wait for and another was set up formally yesterday.

The move followed a central committee meeting at the weekend which again insisted that the party leadership should adopt hardline policies. This is a call General Wojciech Jaruzelski, the party leader, cannot ignore because the fire brigade college comes under the hardline Interior Ministry.

The sit-in followed student occupation at about 70 universities in protest at the allegedly undemocratic election of the head of an engineering college in Radom.

Yesterday, talks in Radom brought progress on resolving that issue, but the Warsaw incident will no doubt prolong student unrest.

The Warsaw union leadership met yesterday to decide on what action it would take. As soon as Mr Lech Walesa, the Solidarity leader, heard of the police action, he ordered the union's membership to prepare for a struke alert and wait for instructions.

Debt payments of $1.3bn remain this year

BY ALAN FRIEDMAN

POLAND STILL owes Western governments and bank creditors $1.3bn (£660m) this year in principal and interest, according to Mr Lawrence Brainard, a vice-president of Bankers Trust.

He said in London yesterday that Poland had contracted to repay around $800m in principal to Western governments, excluding the United States. In addition, he estimated at nearly $500m the amount of interest payments due to Poland's Western bank creditors. Of the $500m, around 10 per cent was interest due to governments.

The $800m said to be owed to Western governments may include part of the 10 per cent debt not rescheduled by agreement, as well as a series of other normal repayments for loans granted by various government-related agencies.

"An impression has been created that the banks are putting the screws on Poland. The fact is that Western governments are at this very moment seeking $800m in repayments of principal," explained Mr Brainard.

"What is missing is a co-ordinated programme from the Western governments to deal with the evident economic problems that Poland faces

He predicted that it would take two to three years before the International Monetary Fund's "involvement" would make a positive contribution to Poland. Furthermore, this would happen only "if the IMF makes a major effort to improve its professional standards in analysing and dealing with countries in Eastern Europe."

Mr Brainard, who is senior international economist at Bankers Trust, has been involved in the question of rescheduling Poland's debt to Western banks.

Delegates representing the country's 460 Western creditor banks reached an "agreement in principle" two months ago on the rescheduling of about $2.4bn of commercial debt which falls due in the last nine months of this year.

The signing of this agreement may be delayed beyond the December 10 date set by the banks and Polish government officials.

David Buchan adds from Washington: A U.S. cabinet officer yesterday promised a speedy decision on Poland's request for an emergency $200m first instalment of the $740m in food aid credits which Warsaw is asking of Washington during the current fiscal year.

Mr John Block, the Agriculture Secretary, said "It would not be long" before the Administration took a decision on the request for immediate new credit guarantees so that Poland could buy food

The aid which Warsaw is seeking would take the form of government guarantees of U.S. bank loans for Poland to buy U.S. foodstuffs. The request for $740m in U.S. credit guarantees was submitted two months ago but because of prolonged Congressional wrangling about the budget and the U.S.'s own worsening food situation, Poland has now asked for an emergency instalment.

Spain may soon reopen frontier with Gibraltar

MADRID—Spain has begun preparations for the possible reopening of its frontier with Gibraltar, closed 12 years ago by General Franco.

The Spanish Foreign Ministry said work began recently on reparing the frontier customs post for a possible reopening. Work could take three or four weeks to complete, but no date has yet been fixed for opening the border.

Talks on the Gibraltar problem between British and Spanish diplomats in Madrid are going well, the Foreign Ministry said. No agreement had been reached but it was hoped that this would be achieved before Sr Leopoldo Calvo Sotelo, the Spanish Prime Minister, pays an official visit to London in January.

Officials say it is possible that an opening date could be announced during the London visit.

Spain claims sovereignty over Gibraltar, the last colony in Europe, but Britain has refused to hand it over against the wishes of its staunchly pro-British inhabitants.

Reuter

Irish Cabinet to discuss wage deadlock

By Brendan Keenan in Dublin

THE IRISH CABINET, at its meeting tomorrow, will discuss the collapse of the country's centralised wage negotiations, and the prospect of a return to free collective bargaining, after 11 years of national agreements. Dr Garret FitzGerald, the Prime Minister, is expected to appeal for pay restraint, in view of the country's economic difficulties. There are fears of industrial unrest, as workers try to keep wages in line with inflation rate, which is running at more than 20 per cent.

...The problem is exacerbated because claims will be concentrated over the next few months. The national agreements meant that most of the workforce are due increases at the same time.

The first test could come with the bus workers, who have served strike notice for January 4, in pursuit of a 20 per cent wage claim. A 7 per cent offer has already been rejected.

National talks broke down largely over attempts by Government and employers to restrict claims above the basic terms. These have been a feature of past agreements and have produced a substantial wage drift.

Jobless total up again in France

BY DAVID WHITE IN PARIS

THE DIFFICULTY the French Government is facing in containing unemployment was further underlined in November's provisional figures released yesterday, which showed a 1.4 per cent increase in seasonally adjusted terms to 1.84m. Since November last year, the increase is close to 25 per cent.

Unions and employers are now reaching a crucial stage in their efforts to draw up sector-by-sector agreements on a shorter working week—a key part of the Government's strategy for creating more job openings. Much hangs on the degree of union backing for agreements in the building and metalworking industries, which between them involve more than 4m workers.

After a sixth and final session of talks this week in the metalworking industry, three unions are due to put the finishing touches to an agreement with employers' representatives.

However, both the Communist-dominated CGT, the giant union body which refused to sign the framework accord on the principle of a 39-hour week in July, and the smaller Christian union, the CFTC, have raised objections. The CGT is demanding an immediate 38-hour week for its metalworkers, while the CFTC is standing out against any loss in salary to compensate for the shorter week.

On the other hand, the large CFDT and Force Ouvriere unions, as well as the white-collar CGC, have agreed on the basic principles of an accord: a progressive reduction in the 40-hour week, reaching 38½ hours at the beginning of 1983, and a fifth week's annual leave. A compromise remains to be struck over the extent of compensation. The employers have offered two-thirds, while the unions are seeking 80 per cent.

In the building industry, the CFDT has joined the CGT in refusing to endorse proposals for a 39-hour week, agreed by the other unions. According to the CFDT, the signatories represent less than a fifth of the 1.8m building workers.

The Government has to take stock of the progress made in the negotiations before drawing up its legislation on working hours and holidays. This is due to be pushed through by a special decree, bypassing parliamentary delays.

The Patronat employers' federation plans to report on the state of discussions at the end of next week. M Yvon Chotard, its industrial relations chief, said recently he was optimistic that agreements could be reached in most of the major 30 branches, despite the "obstruction" of the CGT.

Machine tool industry wins £366m of state backing

BY TERRY DODSWORTH IN PARIS

ONE OF the main elements of the French Government's industrial reorganisation programme was put in place yesterday with the announcement of a FFr 4bn state-backed scheme for the machine tool industry.

Presented by M Pierre Dreyfus, Industry Minister, at the weekly Cabinet meeting, the plan reflects the objectives of a number of projects aimed at "reconquering" the domestic market and increasing exports.

It sets the industry the ambitious targets of cutting imports from 60 per cent to 30 per cent of the French market, while increasing the value of exports from 15 per cent to 30 per cent of sales during the next three years.

The Government has already drawn up three similar schemes for revitalising the toy, wood and leather industries, and others will follow. The machine tool sector is regarded as particularly important because of its key position in manufacturing.

This concern relates to the marked propensity of French companies to step up their imports of machinery to cope wit hany expansion in demand.

According to Socialist planners, France suffers in this respect more than most industrial countries, and could be hit hard on its external account by the present economic expansion plans. The machine tool scheme is aimed at diminishing this important tendency.

The plan is also designed to halt the job losses that have continued unabated in the industry since its position began to deteriorate seriously in the mid-1970s. Employment has fallen from 24,000 in 1974 to 19,000 this year, while output has fallen by 15,000 tonnes to 75,000 tonnes of machine tools over the same period.

Although some details of the reconstruction plan have yet to be announced, the main idea is to co-ordinate the activity of the country's 150 manufacturers through co-operative action backed by the state.

Individual companies will be asked to sign contracts with the Government aimed at standardising components and setting down the specialised products on which they will concentrate. Research and development, and, in some cases, sales networks may be shared.

Turkey and U.S. likely to boost defence ties

By Metin Munir in Ankara

CLOSER CO-OPERATION on defence between the U.S. and Turkey is expected to result from the visit to Ankara of Mr. Caspar Weinberger, the U.S. Defence Secretary, for talks with the military regime. He is expected in the Turkish capital today.

The two countries are expected to set up a committee of senior diplomats and generals, which will meet periodically to review defence and other developments in the region.

There are strong grounds for closer co-operation. President Ronald Reagan has given full support to Turkey's military leaders and Mr Alexander Haig, his Secretary of State, has a good relationship with general Kenan Evren, Turkey's head of state, dating from Mr Haig's days in Nato.

Both governments favour a tougher policy towards the Soviet Union and the U.S. can rely on Gen. Evren's fullest support in this matter. The

Mr Weinberger: due in Ankara today.

regime believes that the political terror which plagued Turkey before they assumed power 15 months ago was part of a Soviet plan to destabilise the Middle East and gain control of the Arab oil fields.

President Reagan has asked Congress for $703.5m in aid to Turkey next year, of which $300m is for economic aid and $403.5m military assistance. This is substantially higher than this year's $547m in aid and the $450m in 1980.

The Turkish Government wants help to modernise its armed forces whose equipment generally is of Second World War vintage.

A U.S. diplomat admitted that "not enough is being done" to modernise Turkey's forces, but added: "It is beyond the resources of the U.S. to provide the billions of dollars which are required. I am afraid that the Turkish armed forces will have needs which will not be met."

Relations between the two countries started improving after the three-year-long U.S. arms embargo was lifted by the Carter Administration in 1978. In March last year, they signed a new defence treaty extending the life of U.S. bases in Turkey which had been shut down during the embargo.

Mr Weinberger's will be the first visit to Turkey by a senior U.S. official since the military takeover in September last year. He will stay at the presidential guest house, across the road from Gen Evren's villa, as a demonstration of the importance the regime attaches to his visit.

Although officially he is the guest of Mr Haluk Bayulken, his Turkish counterpart, his most important discussions will be with Gen Evren, with whom he will spend three and a half hours on Saturday, the day of his departure.

Commented one U.S. diplomat: "In terms of their goals, the generals are doing very well and the pace is up to them. If they move out too quickly this may be dangerous. We are not putting any pressure on them to come up with a timetable for the restoration of democracy."

This view is in sharp contrast to that of Western European governments which are unhappy with the regime's human rights record and the slow return to democracy.

The diplomat admitted that "the situation in this respect is serious and will probably get more serious. We have been arguing Turkey's case in Western Europe and we will continue to do so. But we could use a little help from Turkey."

It would appear that the Reagan Administration is keen to capitalise on the presence of the military administration which is strongly anti-Soviet and needs the support of the U.S. in more than one field. Mr Alexander Haig is also to pay an official visit to Ankara from December 13-15.

Lisbon curb on budget deficit

By Diana Smith in Lisbon

INTEREST PAYMENTS on Portugal's $10.1bn public debt will account for two-thirds of the country's budget deficit of Es150.7bn (£1.2bn) next year. The proportion is the consequence of seven years of uncontrolled deficit financing.

Revealing details of the tight budget Sr Joao Salgueiro, the Finance Minister, said yesterday that this trend is now being gradually reversed. The 1982 deficit, he said, represents a real decrease over this year's and a nominal increase of only 4.8 per cent.

Rather than add to the income tax burden — at 31 per cent one of the highest in Europe — the Government is closing several civil service departments and directorates, clamping down on the budgets of the nationalised industries and curbing subsidies in order to narrow the gap between revenue and outlays.

Tax revenue next year is expected to raise Es352.3bn (£2.8bn), some Es91bn more than this year, the result of more energetic collection and the pursuit of fraud and evasion.

Sr Salgueiro admitted that the pattern of state spending in 1982 could change if the country's worst drought in 120 years does not break soon. The budget is based on the hope of a "normal" rain year.

The drought, with its damaging effects on production of foodstuffs and energy, has coincided with skyrocketing private consumption of consumer durables and demand for short-term credit, all of which have thrown the balance of payments into disarray.

The minister confirmed reports that the current account deficit on the balance of payments this year will be just over $2bn. He hoped this could be reduced to $1.4bn by the end of 1982. The visible trade deficit is expected to reach $4.4bn this year.

Socialists 'lead in Denmark'

By Hilary Barnes in Copenhagen

DENMARK'S ruling Social Democratic Party faces one of its worst post-war results in next Tuesday's Folketing elections, according to a poll published by a Copenhagen newspaper yesterday.

It gave the party 31 per cent of the voting compared with almost 38 per cent in 1979. The winners, it said, will be the Socialist People's Party, going ahead by between 4 and 10 per cent. The Conservatives are predicted to gain 3 per cent to rise to 15 per cent.

Chorus of doubt and criticism greets Spain's cabinet changes

BY ROBERT GRAHAM IN MADRID

SPAIN'S NEW centre-right Cabinet was sworn in yesterday by King Juan Carlos amid a chorus of sceptical and critical reaction from the other main political parties, the Press and even elements of the business community.

Announcing the changes on Tuesday night, Sr Leopoldo Calvo Sotelo, the Prime Minister, insisted that they were intended to last until the general elections in 1983. The tone of the reactions was extremely doubtful, however.

Sr Felipe Gonzalez, leader of the Socialist Party, said: "This is not a Government responding to the needs of Spain, but to the internal problems of the Union de Centro Democratico (UCD).

The Communist leader, Sr Santiago Carillo, said it was not the kind of strong government the country needed and was unlikely to last more than months.

Similar fears were voiced by the right-wing Alianza Popular. Reacting to the Cabinet shuffle all four stock exchanges in Spain recorded modest drops in their indices—a negative view which the Government was said to be unhappy about.

Press reaction with a few exceptions, was more critical and the leading liberal daily, El Pais, complained of the lack of innovation. Indeed, a serious criticism is that the changes have been under consideration since the end of the summer provoking a bitterly divisive debate within the party.

The end result is a dogged attempt at continuity and patched-over unity without any of the ideas once so strongly canvassed by Sr Calvo Sotelo.

Last September he sought to introduce independent members into the Cabinet, but this idea has been dropped at least for the time being. Further, the recent power struggle between Sr Calvo Sotelo and Sr Adolfo Suarez, the former Premier, for control of the party is not reflected in the balance of factions in the new Cabinet.

Earlier this week, Sr Calvo Sotelo consolidated his hold over the party—after himself becoming its leader—by bringing in Sr Inigo Cavero as party secretary-general.

On paper, this gave the Premier a free hand to carry out a major Cabinet shuffle and appointing people completely loyal to him. This has not happened, however. Among the new ministers are no less than three prominent social democrats. This is a group within the UCD which only last month voiced its opposition to the rightwards drift of the party, resulting in the declared intention of the faction's leader, Sr Francisco Fernandez Ordonez, to leave the party

David Gardner, recently in Bilbao, examines Spain's continuing rows over devolution

Madrid's threats to home rule provoke the Basques

THE BASQUE country, the stability of which is central to the future of Spain's fragile democracy, is once again showing signs of volatility. This is in spite of the recent successes of the security forces in containing the activities of the Eta guerrilla movement and largely because of the central Government's actual and threatened reductions in the autonomous power available to the 18-month-old Basque Government, run by the conservative Basque Nationalist Party (PNV).

The most contentious issue in the latest trial of strength between the Basques and Madrid is a law put together by the ruling Union de Centro Democratico (UCD) and the Socialists, the main Spanish opposition party, designed to "harmonise" the devolutionary mess which contributed so notably to the disaffection within the armed forces that led to the abortive February putsch.

The outgoing administration of Sr Adolfo Suarez, who resigned the premiership shortly before the February coup, had sold devolution to the military under the cover of administrative decentralisation. At one level, home rule was offered to all of Spain's 17 regions, to prove that nothing was being given to the recalcitrant Basques and Catalans which, say, the Canary and Balearic islanders could not have — always assuming they wanted it. At the same time, agreements were negotiated with the Basques and Catalans, the result of poltical negotiations, which were enshrined in the two regions' statutes of autonomy.

The new "harmonisation" law, known as the Loapa, threatens to drive a coach and horses through what real home rule was extracted by both regions from this process, backed by successive majorities in referenda and elections.

The Loapa tightly restricts the legislative power of the Basque parliament, making it subject in principle to laws passed by Madrid and potentially at least, severely limits the jurisdiction of the Basque executives. In particular, it does away with the concept of "exclusive jurisdiction" in Basque territorial administration, which most Basques regard as critical to their own "national" reconstruction.

Furthermore, the financial underpinning of the venture—the most ambitious attempt at devolution in Europe since the establishment of the German Federal Republic in 1949 — is likely to be severely eroded. The system allows the Basques to collect all taxes and hand over a fixed amount for state expenditure beyond their jurisdiction, such as defence and foreign affairs. This amount was fixed for this year at some Pta 41bn (£222m)—but the central Government is seeking nearly Pta 78bn (£423m) for next year.

The Basque Government is willing to negotiate on the final sum, but regards as provocation the writing in of the higher figure into the national budget currently being fixed by the Madrid parliament. By contrast, the figure for the disputed, and separate, Basque province of Navarre, was raised from Pta 3bn to Pta 15bn, but only the lower figure was written into the budget.

Adolfo Suarez: sold devolution to the military under the cover of administrative decentralisation.

Thus, the money the Basque Government has available covers little more than running costs, with nothing left over for new investment; vital given the parlous state of much of Basque industry, 60 per cent of which is concentrated in light engineering, capital goods, steelmaking and shipbuilding.

The PNV-dominated Basque Government and the two other major nationalist groupings underlined their discontent by calling out well over 10,000 supporters to demonstrate against the Loapa on October 25.

For the Basques it is frustrating to be held responsible for something over which they have as yet, no power—in spite of central Government promises—and for which they earn only discredit. There is indeed a tendency among Basques to believe that the hold-up in the transfer of power is a deliberate attempt to discredit Basque institutions.

Sr Xabier Arzallus, the charismatic president of the PNV and a former Jesuit, subscribes broadly to this view. He claims, for example, that speeches he has given to party meetings have been circulated to army and para-military police garrisons in the Basque country by the local offices of the Spanish national news agency, Efe.

In Spain's highly sensitised political climate, such tortuous means were needed to circulate Sr Arzallus's most provocative recent comments. In October he said that if Madrid wanted to take away Basque autonomy, it would have to "take it by arms, as it did in 1936," when the Spanish Civil War broke out.

However, Sr Arzallus stresses that now is the last chance for moderation and dialogue. If this failed, the Basques would be thrust irrevocably down the road to independence. Although the rugged Catholic conservatives of the PNV should ideally be well matched with the right-wing Christian Democrats, who have the upper hand in the power struggle inside the crisis-ridden central government, it was precisely this sector which called for Sr Arzallus's prosecution, for giving succour to the terrorists of Eta, and their political adjunct, one of the Basque country's two radical nationalist coalitions, Herri Batasuna.

In spite of the fact that the now absolute tutelage of Eta has reduced Herri Batasuna to an incoherent rabble, the coalition, still commands — until new elections prove the contrary — nearly a quarter of the Basque vote, making it the second largest grouping after the PNV.

Indeed there is evidence, in a controversial report commissioned by the Basque Government, that support for the group could actually grow under certain circumstances.

Following a secret meeting in Madrid between two Herri Batasuna leaders and an Interior Ministry official, the radical nationalist coalition has been galvanised into mobilising its foot soldiers against what is at the moment being described as "civil resistance".

Adding further to this panorama of instability is new evidence of police torture

Reliable medical sources claim that a combination of sensory deprivation techniques and hallucinogenic drugs are being used on selected Basque detainees. The most sinister aspect of the practice is that there is rarely any attempt to get information from the detainees: rather, the object appears to be to make an example of them.

There has, however, been a recent plus for Basque political stability with the emergence of a new party of the Left, mainly the result of the fusion of the radical nationalist coalition Euskadiko Ezkerra (Basque Left) and most of the Basque Communist Party.

The new grouping, in its first major policy document issued last week, renounces insurrection and pledges itself to defend the Spanish constitution—which was overwhelmingly rejected by the Basques in the December 1978 referendum. It remains to be seen whether the new group can draw support from the radicals of Herri Batasuna.

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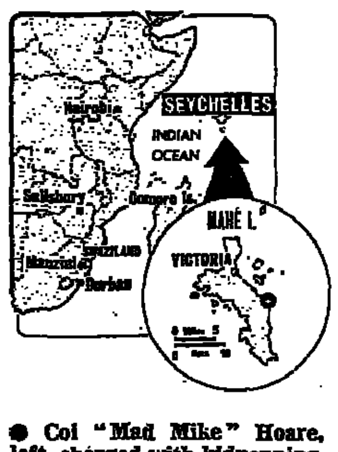
OVERSEAS NEWS

Five charged with kidnapping after Seychelles coup attempt

Pretoria frees 39 mercenaries

BY BERNARD SIMON IN JOHANNESBURG



● Col "Mad Mike" Hoare, left, charged with kidnapping, but released on bail.

THE South African authorities have freed 39 of the 44 mercenaries who hijacked an Air India jet to Durban last week after aborting a coup attempt on the Seychelles Islands in the Indian Ocean. The other five, including the group's leader Col "Mad Mike" Hoare, were released on bail following a brief appearance in a Pretoria court yesterday.

The mild treatment given to the hijackers is bound to reinforce suspicions of official South African involvement in the bid to overthrow the Seychelles President, Mr Albert Rene. South Africa had close links with his predecessor Mr James Mancham, now living in exile in London.

The decision to release most of the men is understood to have been taken at a Cabinet meeting in Cape Town on Tuesday. Ministers and police spokesmen have refused to disclose the men's identities, but earlier reports indicidated that most were South Africans.

According to Mr Louis Le Grange, the Minister of Police, it was not necessary to charge them. He gave no further explanation. A provisional charge of kidnapping has been laid against Col Hoare and his four associates; who include two Britons, a Zimbabwean and a South African. Col Hoare, 62, is a veteran mercenary who rose to prominence during the civil war in the Belgian Congo (now Zaire) in the early 1960s.

The five men are due to appear in court again on January 7. According to Mr Le Grange, some of their colleagues may appear as witnesses for the prosecution.

The 44 men were arrested at Durban airport a week ago after commandeering the Air India Boeing 707 at Seychelles airport, where they had arrived earlier from Swaziland posing as a Rugby team. Shooting started when a Seychelles customs official discovered a firearm in one of the men's baggage.

A mercenary killed during the airport shootout was identified yesterday as Mr Johan Fritz, 24, son of Mr J. C. Fritz who heads the gold and uranium division of General Mining Union Corporation, South Africa's second largest mining house.

Mr Fritz, whose body was brought back to South Africa by the hijackers, was once a member of a crack South African parachute regiment.

The South African Government has previously taken a hard line on aircraft hijacking. The Civil Aviation Offences Act of 1972 lays down a minimum prison sentence of five years for interfering with an aircraft in flight.

During a debate in Parliament earlier this year when the law was strengthened, Mr Hendrik Schoeman, Minister of Transport, said that "in some countries, international regulations are disregarded, whereas we regard it as our duty to implement them. When one is travelling in an aircraft, one wants a feeling of protection when certain activities take place."

The Government's treatment of the Seychelles hijackers has been angrily condemned. Mr Brian Bamford, chief whip of the South African Opposition Progressive Federal Party, said the decision to charge only five of them was "scandalous."

He added that the incident would "add fuel to the suspicions that people have voiced overseas about South African's alleged involvement" in the coup attempt.

Quentin Peel adds: South Africa's decision to release most of the mercenaries, in spite of their involvement in an aircraft hijacking, could leave Pretoria open to retaliatory international action for failing to prosecute or extradite hijackers.

Earlier this week, the British, French and West German Governments took such action against the Afghan national airline, Ariana, giving notice that existing agreements for flights to and from Kabul were to be cancelled because of the Afghan Government's failure to prosecute the hijackers of a Pakistan International Airlines' aircraft.

The Britain Foreign Office declined to comment on the South African action yesterday. South African Airways operates daily flights to London, and several times a week to most European capitals.

20% rise in Egyptian petrol price

By Anthony McDermott in Cairo

THE EGYPTIAN Government has raised the prices of petrol, butane gas, kerosene and other oil products by 20 per cent for private industry, the Oil Ministry announced yesterday.

The move is the first stage in a plan, long urged by the World Bank and the International Monetary Fund, to phase out subsidies and to bring Egyptian energy prices in line with international rates.

The Oil Ministry said that prices for private industry were to rise by 20 per cent each year until 1985. Local consumption of al petroleum products is expected to rise to 18.5m tonnes next year, from 13m tonnes in 1980, which would account for almost half Egypt's oil production.

The extent to which both domestic and industrial consumers benefit from cheap energy prices was illustrated strikingly in a report issued by the standing committee on industry of the People's Assembly.

This indicated that during the first six months of 1980 the Government would have spent E£1.1bn (£718m) on petroleum products, while the consumer was being charged E£221m

Civil administration sparks Gaza strike

BY DAVID LENNON IN TEL AVIV

A TWO-DAY general strike began in the occupied Gaza Strip yesterday in protest against Israel's appointment of a civilian administrator in place of the military governor. This move is viewed by the Palestinians as part of Israel's attempt to create the impression that the military occupation has ended.

"We are sure that this civil administration is meaningless," declared Mr Rashad al Shawa, the mayor of Gaza. "It has no substance to it. It is a continuation of the Israeli occupation under the disguise of 'civil administration.'"

The new civil administrator is in fact the same Israeli general who has been military governor of Gaza until now.

"The Israeli grip on the Gaza Strip is getting stronger and stronger," said the mayor. "We want to make the world understand that we are not happy, that we are against occupation."

Mr Shawa, who had long been regarded as one of the more moderate of the Palestinian leaders living under Israeli rule, added: "We stand for our full rights to self-determination and to have a state of our own."

● Israel's citrus growers stopped picking fruit yesterday to protest against the Government's refusal to help them get a fair return for their exports.

The growers complain that inflation and the drop in the value of European currencies has caused them serious losses. They are demanding an improved exchange rate for this season and retroactive compensation for the losses of the past two seasons.

Citrus fruits are Israel's largest agricultural export and earnings last season from orange and grapefruit sales brought in $240m.

The bulk of production is exported, with approximately 65 per cent of the exports going to EEC countries, 20 per cent to other European countries and the remainder to worldwide markets.

About 13,000 people are directly involved in growing while 35,000 are employed in packaging, marketing and transport. The citrus processing industry also employs several thousand workers.

5 Pakistanis killed in attack

ISLAMABAD — Two Afghan helicopter gunships attacked two buses inside Pakistan yesterday, killing five civilians and wounding three others, a Foreign Ministry statement said. The attack happened south-west of Quetta, capital of Pakistan's Baluchistan province where many Afghan refugees have settled.

The casualties were the highest in a series of border violations and attacks reported by Pakistan authorities this year.

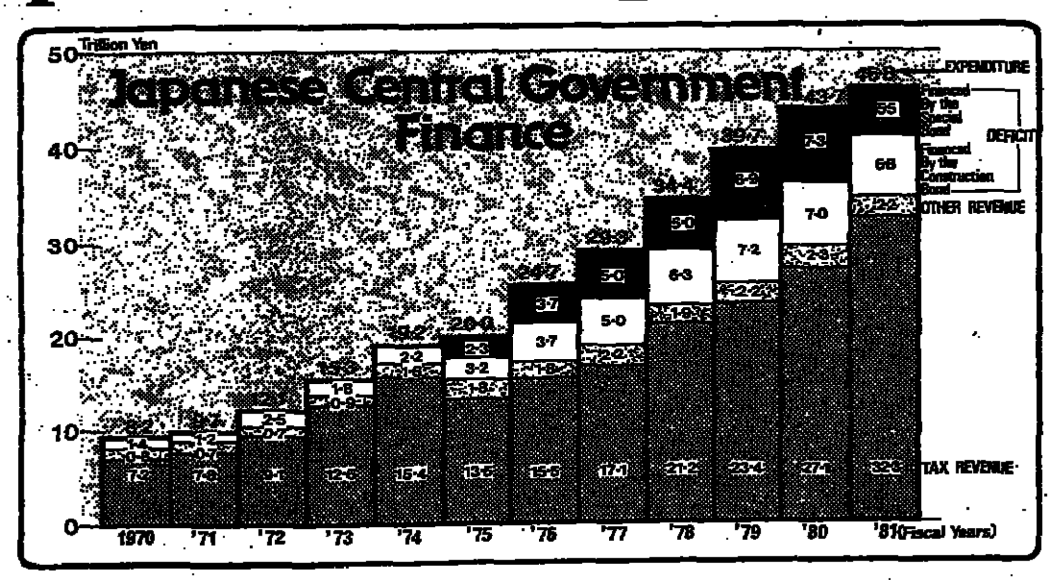
After the last reported attack nearly three weeks ago, when Afghan helicopters fired machine guns and dropped mines on two refugee camps inside Pakistan, the Pakistani Foreign Ministry warned of serious consequences if the violations continued.

Yesterday's statement said that after attacking the two buses the gunships fired rockets at a Pakistani border post. They returned to their side of the frontier when Pakistani troops opened fire.

Reuter

Budgetary alarms are ringing in Tokyo, writes Richard Hanson

No simple cure for Japan's ills



JAPAN'S Finance Minister, Mr Michio Watanabe, one of several key cabinet ministers left in place after Monday's cabinet reshuffle, was characteristically blunt in declaring the new cabinet could not promise the people "Utopia."

Indeed, the main task for Prime Minister Zenko Suzuki's second cabinet will be to tighten the fiscal belt even further, perhaps painfully so.

For the past several years, Japan has faced a fiscal crisis arguably more severe than that of any major industrial state. The U.S. under President Ronald Reagan paradoxically appears determined next year to plunge into an even deeper budget deficit than Japan. However, since the late 1970's Japan's budget deficits have equalled the combined deficits of the U.S., West Germany, France and the UK.

Shortfalls in tax revenue during that period forced the Government at worst to cover nearly 40 per cent of its general budget with long term bonds, compared to 26 per cent this year.

In the 1979 fiscal year, the budget deficit soared to a record of more than Y15,000bn (£35.82bn). When this fiscal year ends on March 31, 1982, the outstanding national debt will have reached Y82,000bn (£196.17bn), a figure equal to 30 per cent of Gross National Product, which has set the alarms screeching.

The origins of Japan's fiscal problems can be traced to the late 1960s when, after a decade of very rapid industrial growth, the nation suddenly awoke to the need for environmental and welfare spending.

Social security expenditure jumped from 14.4 per cent to 18.9 per cent of the national budget during the 1970s. Public spending also rose fast — particularly in 1977 and 1978 when the Government adopted a Keynesian reflationary policy under pressure from foreign trade partners who resented Japan's "export-led" growth. Meanwhile tax revenues, which had been resilient in the 1960s, began to lag behind.

However, the Government's attempts to correct the growing problem of budget deficits through tax reform met with defeat. One attempt to instal an unpopular Value Added Tax-style sales levy was at least partly responsible for a shocking setback for the ruling Liberal Democratic Party in the general election of Autumn 1979.

The late Prime Minister Masayoshi Ohira quickly dropped the issue. His successor, Mr Suzuki, has instead chosen to concentrate on fiscal reform and chopping back the bloated government bureaucracy.

Mr Suzuki's programme of fiscal reform next year emphasises holding expenditure rises down to a bare minimum and to zero for most controllable items.

The plan hopes, in principle, to avoid any major new taxes, or increases in income tax. Only certain parts of the budget, such as defence and foreign aid, will be partially exempt from the austerity drive.

An unfortunate combination of circumstances will mean that the cuts may have to be up to Y1,500bn greater than originally thought.

Among the added expenses are a jump in the cost of debt servicing due to higher coupon rates on government bonds and a rather modest pay rise for civil servants.

More serious than rising costs for the moment, however, is the apparent shortfall in tax revenues. So far this fiscal year, corporate revenue tax, in particular, has raised less than planned.

Unless taxes pick up dramatically to the projected Base for 1982, the Finance Ministry will be faced with the onerous job of chopping even further into spending plans for next year.

There do not appear to be any silver linings in the current fiscal storm clouds and there is no sign that the Government will back down quickly on its resolve to reconstruct its finances.

This is understandable simply because the problem has grown dangerously large. One illustration of how serious (and long term) the problem of government bonds has become can be seen in the strategy to reduce to zero by the 1984 fiscal year the amount of "special" long-term government bonds the Finance Ministry issues ostensibly to cover shortfalls in current budget spending. These are bonds not attributable to public works spending, for which the Government issues "construction" bonds.

Special bond issues, which are considered fiscally unsound, peaked at more than Y8,000bn three years ago and are being gradually reduced. What the Government does not like to mention is that a third, and equally unsound category of bonds, is being created at a faster rate than special bonds are being eliminated.

"Conversion" bonds — those issued to replace maturing bonds — will more than triple in amount next year to Y3,300bn and climb to about Y6,000bn annually by 1985. This reflects the surge a decade ago in issues of original new bonds, which the Government cannot afford to redeem out of the budget.

Fiscal reform will mean that government spending for social security and other welfare projects will be cut to the bone. The domestic economy cannot expect much in the way of stimulus from the Government.

For the rest of the world, this may mean a longer wait for Japan's domestic economy to pull the weight now carried through exports by already angry trading partners.

The problem in the budget will for some time to come limit what the new cabinet can do to alleviate trade frictions, its second major priority.

Reagan makes conciliatory gesture to air controllers

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan has made his first conciliatory gesture towards the 11,400 air traffic controllers he dismissed for striking in August, as part of a wider campaign to improve his chilly relations with organised labour.

At a White House meeting with leaders of the Teamsters Union, Mr Reagan said he was considering rescinding an order banning the controllers from all federal employment for three years. (Federal employees are not allowed to strike.)

The White House stressed that Mr Reagan was not considering re-hiring any of the strikers as air traffic controllers, a point echoed by Mr Drew Lewis, the Transport Secretary, at a Press conference in Tokyo. Officials added that the idea was to allow them to apply for other federal jobs, for example in the armed forces.

But the move nevertheless created a fairly widespread impression in Washington that Mr Reagan, feeling he had made his point, might be beginning to open the door to the reabsorption of at least some of the strikers into the nation's hard-pressed air traffic control system.

A representative of the sacked controllers said that Mr Reagan's statement was ambiguous but was "a clear movement in a positive direction."

The now-legally defunct Professional Air Traffic Controllers' Organisation (Patco) could be in difficulties if Mr Reagan moves towards selective re-hiring because it has always insisted that all the strikers must be taken back.

Transport officials are reported to have studied possible ways of re-hiring about 3,000 of the controllers, the number they are said to believe is needed to accelerate the rebuilding of the system to its full strength. But these exploratory studies have had no high-level approval.

Mr Reagan's cursory treatment of the controllers and their union was initially popular in many parts of the country, but it has been the biggest single reason for the current hostility towards him on the part of organised labour. Mr Reagan is trying, in a series of meetings with labour representatives in Washington this week, to mend some of his fences.

U.S. aviation faces deepest post-war crisis

BY IAN HARGREAVES IN NEW YORK

"SHOOTING THE wounded" was the phrase hurled at President Ronald Reagan last month by Mr Lane Kirland, president of the AFL-CIO labour federation over the Administration's handling of the air traffic control dispute.

Mr Kirland, of course, was referring to the effects of Mr Reagan's intransigence upon the 11,500 people and their families who have ben out of work since August, most of them without unemployment pay because all but two states do not pay unemployment benefit to strikers.

Mr Kirkland's argument, which has a certain amount of support on Capitol Hill, is that having driven the Professional Air Traffic Controllers' Organisation (Patco) to bankruptcy and formal decertification as the controllers' bargaining agent, the time had come for charity and compromise with the individuals involved. It is this argument to which Mr Reagan has now made the beginnings of a response.

But the longer this dispute drags on, the more it becomes evident that the U.S. domestic aviation industry is now joining the ranks of the wounded and cowering from further gunfire.

Wall Street now expects the large U.S. airlines to post an aggregate loss for this year of at least \$100m (£51m). In the third quarter alone, normally the industry's best, the big airlines lost more than \$50m (£25.5m), against profits of about \$180m in last year's third quarter.

It would be quite wrong, however, to suggest that the air traffic controllers' strike is entirely to blame for what is developing into the deepest post-war crisis in the U.S. airline industry.

A decline in overall traffic levels, down 5.6 per cent for domestic aviation in the first 10 months of this year, following a drop in 1980 which was the first in the industry's history, has been the main culprit. Other important factors have been the difficulties of big unionised carriers in competing with the new non-union carriers which have grown up since airline deregulation, high fuel costs and the need for massive capital spending to improve fuel-efficiency and noise standards in aircraft.

Indeed the strike itself, in spite of the fact that the Federal Aviation Administration (FAA) is supposed to have enforced a 22 per cent reduction in the number of flights,

July 29: 11.4 per cent pay offer rejected by 95 per cent of Patco members.
August 3: Strike begins.
August 4: In New York, Federal judge fines union \$100,000 an hour. Washington court levies \$250,000-a-day fine on Government request.
August 5: Reagan orders dismissal of striking controllers. Five union leaders jailed
August 7: International Federation of Air Traffic Controllers' Associations urges its 59 members to withhold clearance for aircraft flying to U.S.
August 9: Four of five jailed Patco officials released.
August 19: Federal investigation into safety of U.S. airspace
October 22: Federal Labour Relations Authority decertifies Patco.

has had very little effect upon the number of seat-miles being flown by the industry, which in October were down only 8.5 per cent on October 1980. This is because airlines have wherever possible used larger aircraft.

But there have been a number of insidious effects. The FAA says that 3 per cent of flights are being delayed by 30 minutes or more, which is three times the number of delays before the strike.

These figures, however, almost certainly understate the delays and correspond neither with personal experience since the strike began nor the content of travellers' tales. It has become common at busy airports like Chicago O'Hare, New York La Guardia and Pittsburgh, to wait two hours for take-off, and then to hear a weary pilot say: "We are now 28th in line for take-off."

These kinds of problems are undoubtedly to blame in part for the fact that October traffic was down 1.5 per cent from October 1980. The situation will get worse as winter weather and the recession play their part.

What is more serious for the airlines is that they have been unable to continue with the route re-shaping process which for several of them, such Pan Am, Eastern and United, is an essential response to increasingly competitive conditions in the industry.

The same applies to some small growing airlines like New York Air, which has been forced to cancel its Boston-New York service because the number of flights permitted by the FAA makes it uneconomic. New York Air lost \$4.8m in the third quarter of this year.

All of these problems have been compounded by the fact that the persistence of poor traffic levels—aircraft on average are flying with only 56 per cent of their seats filled—has ensured that fare cutting has continued to be widespread.

So far, however, the airlines have contented themselves with complaining about these things in private, partly because they, like the airline pilots, felt that the Patco people were themselves often unco-operative and inefficient in the way they ran the control towers before the strike.

But that does not mean the voice of the airline industry will not now be added to that of the labour movement in suggesting that having breached the principle of no re-hiring, exceptions could quietly be made in order to get the air traffic system back to working at an acceptable level.

That would probably mean rehiring 3,000-5,000 of the former Patco people, who would then join the 5,700 controllers and 3,000 supervisors who did not strike and the "several hundred" people the FAA says it now has in training as controllers.

Launch day for offshore banking

By David Lascelles in New York

OFFSHORE BANKING—long the preserve of international financial centres like London, Bahrain and Singapore—becomes possible in the U.S. today, thanks to the special dispensation of the Federal Reserve Board.

Long in the works, the move marks a significant change in U.S. banking policy and could lead to the long-term reshaping of the Euromarkets, although bankers do not expect it to produce an immediate rush of business away from foreign centres into New York.

According to the Fed, nearly 170 banks plan to open International Banking Facilities, which will be the vehicles for offshore banking in the U.S., although the number taking immediate advantage of the new rules will be closer to 140. They include most major international banks from the U.S., Europe, Japan, Latin America, and a handful from the Middle East.

Offshore banking involves dealing in currencies away from their home countries, and therefore free from those countries' banking regulations. Its major manifestation is the trillion (million million) dollar Euromarket.

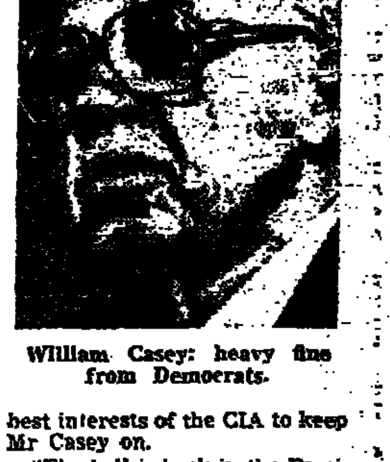
U.S. banks have been able to participate in the Euromarkets, but only by setting up subsidiaries in offshore centres. This places them at a slight competitive disadvantage against other foreign banks.

After being pressed by the banks for years, the Fed finally recognised this disadvantage last year

NY financial services, Page 15

CIA's director criticised after Senate inquiry

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON



William Casey: heavy fine from Democrats.

THE U.S. SENATE Inteligence Committee has rather grudgingly found Mr William Casey "not unfit" to continue in his post as Director of the Central Intelligence Agency. But in a report published yesterday it criticised him for "inattention to detail" in disclosing his past business dealings.

Democrats on the committee were particularly scathing about Mr Casey, a former chairman of the Securities and Exchange Commission, at the end of a 4½-month investigation into his business dealings.

But even a Republican member of the committee, Senator Harrison Schmitt, said: "It is safe to say that the whole situation is not flattering." The committee had uncovered "omissions" in Mr Casey's financial reports to the Senate when he was appointed earlier this year, which, though inadvertent, were still omissions, Mr Schmitt said.

Senator Patrick Leahy (Democrat) of Vermont said he felt that some of the questions raised about Mr Casey were "a heck of a lot more serious" than those raised in recent inquiries into the activities of Mr Richard Allen, the National Security Adviser, who is still under investigation by the Justice Department.

Senator Walter Huddleston, (Democrat) of Kentucky said he thought the committee's report contained enough evidence for President Reagan to conclude that it might not be in the best interests of the CIA to keep Mr Casey on.

"The ball is back in the President's court," Mr Huddleston said.

Mr Allen, who is on "administrative leave," was cleared earlier this week of wrongdoing in accepting \$1,000 (£520) from a Japanese magazine, but inquiries are continuing over his receipt of two lady's watches from the same source and, into his financial disclosures.

A final White House decision on his future will not be taken until these two inquiries are completed, but it is thought in Washington that he will not automatically get his job back even if he is exonerated.

Quebec to seek court ruling

By Robert Gibbens in Montreal

QUEBEC'S provincial Government has served notice that it will go to court to establish whether it has the legal right to veto constitutional change in Canada. The move came in a declaration laid before the Assembly on Tuesday.

The provincial government said it would present a measure seeking to ask the Quebec Court of Appeal for an opinion on whether Quebec could uphold its traditional veto. Final recourse would be to the Supreme Court of Canada. In a previous case the Supreme Court denied that any one province might veto changes in the constitution.

Canada's Prime Minister, Mr Pierre Trudeau has rejected Quebec's claim to a veto. He said he would proceed with his constitutional plans without waiting for the Supreme Court's opinion on the Quebec claim. Mr Trudeau's proposal, agreed to by the other nine provinces would abolish the right of the British Parliament to have the last word in Canadian constitutional matters.

Stormy scenes likely at OAS conference

BY HUGH O'SHAUGHNESSY IN CASTRIES, ST LUCIA

A POTENTIALLY stormy annual assembly of the Organisation of American States started in St Lucia yesterday amid indications that the U.S. was to take a much more combative attitude to left-wing movements in the hemisphere. At the same time it will have to accept criticism from the Latin Americans over its economic strategies and from the Caribbean nations over its foreign and human rights policies.

Amid the storm signals, however, there were hopes that a meeting of Mr Alexander Haig, the U.S. Secretary of State and the Nicaraguan Foreign Minister, Sr Miguel d'Escoto, might help to reduce the tension between Washington and Managua.

Yesterday's inaugural session was delayed as many Latin American Foreign Ministers arrived late after a caucus meeting in Panama devoted to aligning their economic demands to the Reagan Administration. Mr Haig, who arrived yesterday, postponed his expected policy statement until today.

While much expectation centres on Mr Haig's speech, Mr Peter Josie, the Foreign Minister of the St Lucian Government, surprised many delegates with a bitter condemnation of the strengthening by the Reagan Administration of U.S. links with South Africa.

Mr Josie's speech was seen as characterising the general disappointment of many of the smaller Caribbean countries with U.S. policies towards apartheid in particular and human rights in geenral.

As the delegates met, the St Lucians gave a rumbustious display of their own talent for party political controversy which, however faltering it may be in the rest of Latin America, is certainly strong in the island.

Referring to the left-of-centre Government headed by Mr Wilson Benac, the left-wing Crusader newspaper commented, in an open letter to conference delegates: "As soon as you have left our shores the people of St Lucia will take up cudgels to remove this disgraceful regime from off their back."

Despite verbal pyrotechnics, however, the atmosphere remains calm and relaxed.

New call to limit Japanese cars

TOKYO—Mr Drew Lewis, the U.S. Transport Secretary, yesterday called for a tightening of the pact under which Japan agreed last year to limit its car exports to the U.S.

He indicated that Congress might impose restrictions on imports of Japanese cars unless Japan agreed to a review of the agreement because of the depressed state of the U.S. car market.

Although the Reagan Administration remained opposed to import limits, Mr Lewis said during a visit to Tokyo that, "a large measure depends on what action is taken by Congress," members of which come up for election next year.

Last May, largely due to threats of legislation by Congress, Japan agreed to limit car exports to the U.S. to 1.68m units in the 12 months to next April, and increase them the following year by 16.5 per cent of any rise in overall U.S. car sales.

Mr Lewis said that as the U.S. market expanded, he hoped Japan would not export more than 1.68m cars.

Similar statements by Mr David MacDonald, the U.S. deputy trade representative, on Tuesday brought strong reaction from Japanese Government and car industry officials.

Government officials said Japan would not accept any U.S. request for a review of 1982 car exports, which a U.S. trade team headed by Mr MacDonald is expected to seek during talks in Tokyo next week.

When Japan agreed to curb exports, total 1982 U.S. car sales were expected to rise to 11m but latest estimates put the figure closer to 9m.

The president of Japan's Automobile Manufacturers' Association, Mr Takashi Ishihara of Nissan Motors, said the industry could not accept any proposal to limit shipments to 1.68m next year. It was a life or death question for the industry, he said.
Reuter

David Buchan writes from Washington: Next week's talks in Tokyo come on the heels of a new U.S. Commerce Department study that paints a gloomy picture of the low level to which the U.S. car industry and sales market have sunk. "The most startling trend," it notes, is that the working capital of the Big Four U.S. motor companies plummeted from \$13bn (£6.6bn) at the end of 1978 to \$300m (£154m) by October 1 this year.

Overall car sales in the U.S. are now likely to fall well below the levels forecast earlier by the Administration.

The net result is that, though Japan has stuck to its promise so far of shipping cars to the U.S. this year at an annual rate of 1.68m units, its market penetration in the depressed U.S. economy will be around 19.3 per cent in 1981, Mr MacDonald said. The aim of the April agreement had been to get the Japanese market share down to 16.8 per cent.

Deadlock in fares row between SAS and Air France

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

A ROW between Scandinavian Airlines System (SAS) and Air France over businessmen's air fares is expected to be taken up at Government level after Scandinavian and French civil aviation authorities failed to find a compromise at a meeting in Copenhagen this week.

Air France has objected to the Euroclass business fare which SAS introduced on November 1, offering improved facilities for passengers paying full economy class fares.

The French airline has adjusted its seat reservation computers so that they always show SAS's Euroclass fully booked.

The French authorities have not approved SAS's winter traffic programme and have raised the possibility of banning SAS flights to France.

This would prompt retaliation against Air France from Denmark, Norway and Sweden.

Air France claims that SAS's Euroclass is equivalent to its own "classe affaires" for which fares are 18 to 20 per cent higher.

SAS maintains that its Euroclass meets all the rules laid down by the International Air Transport Association (IATA) for economy class fares.

The Euroclass offers passengers paying full economy prices faster check-ins, a separate waiting lounge, more leg-room and free drinks on board.

SAS has invested an initial SKr 100m (£9.5m) in the plan and calculates it will need SKr 40m a year in extra operating costs to recover its investment.

Preliminary estimates indicate that SAS increased by at least 4 per cent the number of passenger kilometres flown on its European routes last month compared with November 1980.

Mr Jan Carlzon, the new managing director, has said that the Euroclass project, together with a cost-cutting programme, should turn SAS's 1980/81 loss of around SKr 120m-150m into a profit of the same size in 1981/82.

Its Euroclass has also been opposed by other airlines, notably Iberia of Spain which has refused to supply passengers with special boarding cards at Madrid and Barcelona airports. SAS has been prevented from advertising the Euroclass in West Germany.

British Airways and the British authorities have approved the new SAS venture.

Westland wins £17m helicopter order

By Our World Trade Staff

● Westland Aircraft said it has a £17m order for Westland Navy Lynch helicopters from the newly formed fleet air arm of the Nigerian Navy. Deliveries wil start at the end of 1983, and talks are continuing for further Nigerian work.

● Gulf Air has signed a $33.6m medium term facility to help finance the purchase of five sets of Rolls-Royce RB-211-524B-02 reworked engines for its fleet of Lockheed TriStars. Midland Bank said it was the joint provider of the funds with Gulf International Bank BSC.

● Racal Tacticom, a division of the UK electronics concern, has won a £23m defence communications contract providing for the production in Austria of the company's military vehicle radios.

Under the contract, which was awarded by the Austrian Ministry of Defence, Kapsch AG, the Austrian electronics group, will co-operate in a joint venture with Racal for the quantity production of the Racal VRM 5080 VHF military vehicle radio.

Matra boost for Australian space project

BY PATRICIA NEWBY IN CANBERRA

MATRA, THE French aerospace company has signed a memorandum of understanding with the Australian National University in Canberra to transfer space technology to Starlab, an Australian project, which could lead to a national aerospace industry.

The move, outlined to Australian industry at a symposium in Canberra this week, should greatly enhance the chances of the British Aerospace-Matra joint venture company, Satcom International, winning the A$300,000 (£176,500) domestic satellite contract due to be announced soon.

Under Australian Government purchasing policy, large contracts must contain so-called offset provisions for the transfer of work or technology to the value of one third of the contract.

British Aerospace, through its wholly-owned subsidiary British Aerospace Australia, is already in a position to transfer work—not necessarily related to satellites—and technology to the Australian operation.

The move by Matra to transfer technology to increase what are called offset credits, must be regarded favourably by the Australian Government. Satcom is one of 20 groups which have bid for the space segment of the Australian Domestic Satellite, recently named Aussat.

The willingness and ability of foreign contenders to transfer technology or work to Australian industry is a factor in assessment of government purchases.

The policy has its critics, including the Australian Treasury which says offsets are often a means of shoring up uncompetitive Australian industries and are a cost to the tax-payer since the purchase price of big ticket items is inflated to take into account the expense of transferring work to Australia.

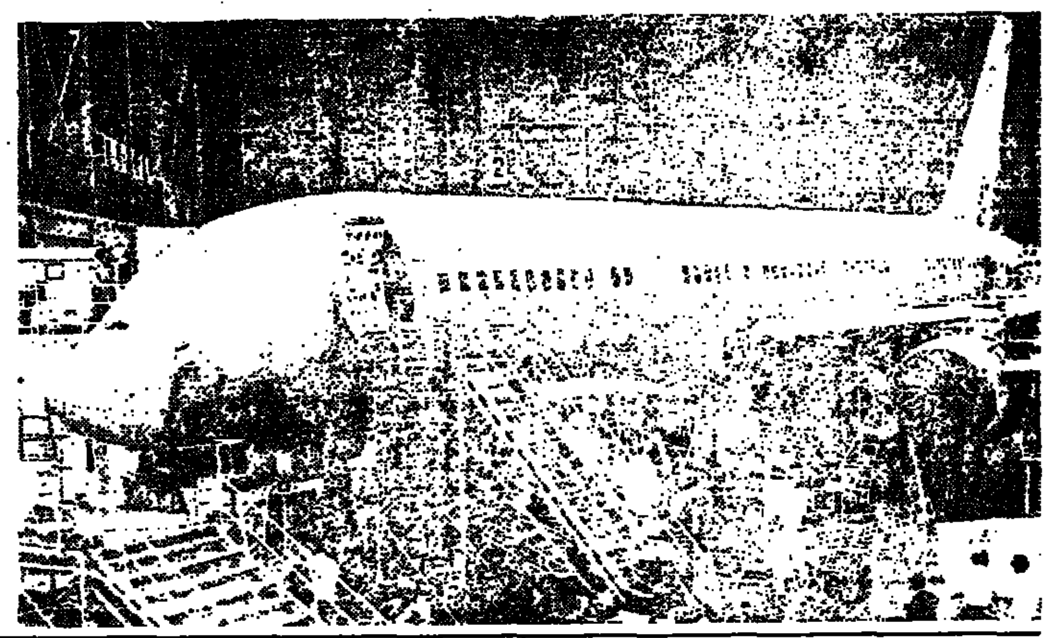
However, advocates such as the Department of Industry and Commerce argue that offsets are an excellent means of acquiring for Australia high technology capability which in the long-term will make industry more efficient.

For example, it is argued that Australia must have an aerospace capability if only to enable the country to service and maintain its imported aircraft.

Starlab, which will cost about A$20m over the next five years, will provide an instrument package for a space telescope to be launched aboard the Nasa space shuttle in 1989.

First Boeing 757 airliner is nearing completion

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT



THE FIRST Boeing 757 twin-engined jet airliner (right) is nearing completion at Boeing's Seattle (U.S.) factory, and is to be rolled-out on January 13.

The aircraft will make its maiden flight in February, and after an extensive ten-month test programme is due to receive its Federal Aviation Administration airworthiness certificate in December, 1982, clearing the way for deliveries to airlines to start in the same month.

To date, 136 Boeing 757s have been ordered firmly, with a substantial additional number of options.

Of these, 101 firm orders and options are for 757s using the Rolls-Royce Dash 535C version of the RB-211 engine. The first Dash 525s have been delivered to Boeing, and have been hung on the first 757. The remaining 757s ordered so far will use Pratt and Whitney PW-2037 engines.

The five Rolls-Royce 757 customers are British Airways (19), Eastern Airlines (U.S.), Monarch Airlines (UK), Transbrasil, and Air Florida (U.S.). Eastern will get the first 757, with British Airways taking deliveries from early 1983.

French, Algerians reach accord on LNG price

PARIS — France and Algeria have reached tentative agreement on the price Algeria will charge for its liquified natural gas, after more than a year of negotiations, the French Government announced yesterday.

M Pierre Beregovoy, President Francois Mitterrand's chief of staff, said the accord was reached between M Mitterrand and Algerian President Chadli Bendjedid.

M Mitterrand ended a two-day official state visit to Algeria on Tuesday after holding an unscheduled, one-hour meeting with the President to discuss the natural gas question.

The accord was seen as a major success for M Mitterrand's visit, which was only the second made by a French president since Algeria won independence in 1962 after an eight-year war with France.

Before M Mitterrand's trip, the LNG negotiations had been deadlocked over Algeria's insistence on aligning the price of its gas to that of crude oil. France relies on Algeria for about 15 per cent of its gas supplies.

M Beregovoy said the two leaders have directed their respective foreign ministers to put the finishing touches on the tentative agreement. He said a final accord should be reached in one month.

The Elysee Palace official said it was impossible to disclose details of the tentative accord, adding that if any obstacles were encountered they would be handled directly by the two Presidents. AP

France tries to cut trade deficit in leather products

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government is aiming to cut the country's enormous FFr 1.3bn (£119m) trade deficit in leather products and shoes to achieve a break-even point within the next three years.

The project forms part of the ambitious plans for "reconquering" the domestic market that are a key element in the new Socialist Government's industrial policy.

Other agreements covering textiles, furniture and toys have already been drawn up and will be followed by further announcements for industries where the authorities believe that France should be able to compete effectively with overseas suppliers.

Both manufacturers and distributors are involved in the leather industry project, which will be backed by some Government aid for developing the tanning sector.

The overall aim will be to put pressure on companies in both fields to turn to French suppliers. Shoe manufacturers, for example, will be given import licences in proportion to their success in reaching certain export targets, while distributors will have to buy certain quota of French goods before being allowed to import.

At the same time, the Government is aiming to establish stronger controls over the tannery industry by a system of licensed dealers and auctions. Some industrialists in this field are to set up plants with Government financial backing.

Mid-East threat looms for European bulk plastics

BY MARTIN DICKSON

MIDDLE EASTERN countries will start to produce substantial export surpluses of polyethylene bulk plastics from the mid-1980s, with major repercussions for Western European manufacturers, a leading analyst for Imperial Chemical Industries said yesterday.

Mr Paul Ray told a plastics conference in New York that by 1985 Middle Eastern countries could be exporting 65m pounds of low density polyethylene and 200m pounds of high density polyethylene. By 1990, exports of LDPE could have risen to 600m pounds, out of total Middle Eastern production of 2.5bn pounds, while HDPE exports could have increased to 250m pounds out of production of 850m pounds.

There was no strategic threat to Europe from Middle Eastern production of PVC and polypropylene, where domestic production would fall short of consumption, or from polystyrene, for which no production plans had been announced.

But Europe would lose some of its external polyethylene markets to Middle Eastern producers and would also suffer from Middle Eastern penetration of the European market.

This could cut West European producers' expected sales of LDPE by 530m pounds in 1985 and 1.15bn pounds in 1990, and sales of HPDE by 375m pounds in 1985 and 530m pounds in 1990.

Middle Eastern competition was one of several factors forcing the European plastics industry into a fundamental restructuring.

IBM in Bundespost deal

BY JONATHAN CARR IN BONN

INTERNATIONAL BUSINESS Machines has won a DM 50m (£11.6m) order from the Bundespost—the federal post office—to supply central computers for the Bildschirmtext system, the West German version of Britain's videotext. The system conveys information by telephone line to the television screens of subscribers.

The award of the contract to IBM Deutschland, the Stuttgart-based subsidiary of IBM, is considered of interest for two main reasons.

Although the value of the deal is not large, it may lead to others. The Bundespost is hoping for about 1m users of the Bildschirmtext by the end of 1986, and is expected to invest about DM 500m (£120m) in the system over that period.

IBM has won the Bundespost order against more traditional suppliers—among them Standard Elektrik Lorenz (SEL), the West German subsidiary of ITT. SEL had already carried out development work on the Bildschirmtext system in conjunction with the Bundespost.

Bildschirmtext has been on trial since June last year in two West German cities. It is expected to be more widely introduced late in 1983.

UK NEWS

Water Council borrows £33.6m

By Robin Pauley

THE NATIONAL Water Council has taken three new loans totalling £33.6m to help finance water, sewerage and reservoir projects in England.

Two of the loans are from the European Investment Bank and comprise £11.1m for 12 years at 13.30 per cent and £2.5m for 10 years at 13.30 per cent.

The larger loan is to help finance water supply and sewerage schemes by the North West Water Authority in Merseyside, Greater Manchester and Kendal. The works are due to be completed by the end of 1984 at a total estimated cost of £53m.

The smaller loan is towards work by the Anglian Water Authority to improve the sewerage system of Corby and to provide a trunk water main in the Scunthorpe area. The total cost is estimated at £5.3m, with completion set for mid-1983.

The third loan will be for £20m for 12 years at an average rate of 14 per cent from the New Community Instrument for Borrowing and Lending for work on the £167m Kielder Dam project by Northumbrian Water Authority.

The 1,140m dam will be 50m high and provide a reservoir of about 200m cubic metres. It will provide a system for regulating the flow of the Tyne, Wear and Tees rivers.

These loans bring the total amount advanced to the National Water Council since 1975 to finance works by English and Welsh regional water authorities to £404.5m.

● The Government's proposals to cut the local authority representation on the Welsh Water Authority by 80 per cent, down from 20 to 4 members, has been attacked as a "blow for the whole democratic process" by Mr Ian McCallum, chairman of the Association of District Councils.

The move would leave the authority in the hands of people appointed directly by the Secretary of State for Wales, and such centralisation was being disguised as speedier decision-making and management improvements, he said.

The proposed consumer council could not be a substitute for direct local democratic involvement, and would be no more successful in relation to water than they had been for gas and electricity, Mr McCallum said.

Plastics processors face need for investment

BY MARTIN DICKSON

THE UK plastics processing industry is facing its most serious crisis since the war and will have difficulty in surviving unless it squares up to its problems, Mr Ron Lewis, director of the British Plastics Federation, said yesterday.

His warning came as the federation published the results of a survey suggesting that the plastics industry — covering machinery makers, materials suppliers and processors—had reached the bottom of the recessionary trough and was showing signs of modest recovery.

However, Mr Lewis cautioned that the picture given in the federation's latest business trends survey was not one of uniform and vigorous recovery. Opinion was divided among the 138 respondents to the poll on the direction they expected sales volume to take over the coming year.

"Twenty-three per cent still anticipate a fall in sales volume for their products in the home market over the next 12 months," Mr Lewis told a London conference.

Optimism for improved prospects over the next three years was high—even though processing companies' investment plans were alarming. Over the past year, only 27 per cent of companies surveyed had initiated substantial capital expenditure. In the coming year, only 31 per cent intended to do so. And only 39 per cent thought they would be in a position to make substantial investment over the coming three years.

"This situation is rendered even worse by the fact that, in each period in question, less than four companies in 10 that are investing are doing so to expand capacity," Mr Lewis said.

He asked how processors could expect considerable growth with very little capital expenditure: "If the industry wants a future it needs to invest more now than ever before."

He called for a greater export drive, more import substitution and Government help in fighting unfair foreign competition.

"With world competition knocking at the door of the UK, it is essential that processors concentrate their efforts on developing particular skills in specialised areas so they can hold with confidence the home market and compete strongly world wide," Mr Lewis said.

The survey also showed that almost 30 per cent of respondents saw the possibility of further redundancies in the year ahead. But there had been significant improvements in value added.

Sector by sector the survey shows:

● Most materials suppliers have seen their UK sales fall over the past 12 months a third of them by over 10 per cent and less than half expect a rise in volume over the next year.

● Processors are more optimistic with a two to one majority expecting an upturn in their UK sales. But over 60 per cent see no profits improvements.

● Machinery manufacturers who depend on the performance and investment of the processing sector see no improvement in sales volume over the coming year with opinion divided about the prospects for an improvement or deterioration in profits.

● British Steel's tubes division has won a contract from Shell worth more than £10m to supply 142 miles of pipeline which will link Shell/Esso's gas separation plant at St Fergus on the Scottish East Coast to the major petrochemicals complex being built at Mossmoran in Fife.

£5m facelift for Scottish hotels

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

TWO OF SCOTLAND'S luxury hotels. Gleneagles in Perthshire and the Caledonian in Edinburgh, will become even more luxurious under a £5m expansion and improvement plan started yesterday by Gleneagles Hotels.

Gleneagles Hotels, a private company, bought the Caledonian, Gleneagles and the North British Hotel—also in Edinburgh—from the British Transport Hotels division of British Rail last June for £13.5m. The sale came under the Government's plan to sell off parts of state corporations to the private sector.

The improvements will push the Caledonian up one star to become Edinburgh's first five-star hotel. The red sandstone exterior will be cleaned and extensive redecoration carried out to the reception area.

This will largely eradicate an adventurous bout of interior decorating from the late 1950s, which included a ceiling in the lobby brightly painted with bird life.

About £2.5m will be spent on the hotel. Improvements will include the construction of a small garden on the site of the present car park.

At Gleneagles nearly half the £2.5m set aside for improvements will go on a leisure complex, making the hotel a year-round resort. It now closes in the winter.

The complex will depend on Scottish Tourist Board financial assistance, presently under discussion—including a second swimming pool, squash courts, sauna baths and other facilities under a glass dome.

More modest improvements, totalling £2,500, are initially planned for the North British Hotel, at the station end of Princes Street, down from the Caledonian. Mr Peter Tyrie, chief executive of Gleneagles Hotel, said more elaborate improvements awaited negotiations with Edinburgh District Council.

A shopping complex is planned beside the hotel, next to the station. The hotel hopes for access through the market to allow it to open up its lower floors as part of the shopping complex.

Call for European CB radio standard

BY ELAINE WILLIAMS

A CALL for unified European standard for citizens' band radio systems has been made by Mr Alasdair Hutton, a Scottish Euro-MP.

"At the moment the regulations are a mess, with the biggest mess in Britain where we have legalised a system completely different to anywhere else in the world, let alone Europe," Mr Hutton said.

Britain introduced CB a month ago amid criticism that it was not in lne wth other European systems. CB pressure groups continue lobbying the Government to make changes in the technical specifications.

CB users break the law if they try to operate CB sets while visiting foreign countries. "If you drive from Scotland to Greece you will break the laws of each country you drive through," Mr Hutton said.

The lack of co-ordination made it difficult for European manufacturers to take advantage of the potential market.

Cheaper air fares likely with 'travel only' plan

By Michael Donne, Aerospace Correspondent

UK AIRLINES can apply to the Civil Aviation Authority for the right to sell "travel only" tickets at cheap fares on their holiday charter flights. They stand a reasonably good chance of having their plans approved by that body.

Such schemes would still also need the approval of any foreign governments whose cities were served and the negotiations could prove difficult. But the Civil Aviation Authority and the airlines—especially the independents—see the move as another way of trying to reduce European fares.

Passengers on holiday charter (packaged tour) flights have paid an all-in sum for travel, hotels and often also ground transport at their destination. The latest idea is that up to 15 per cent of the seats on packaged tour flights could be offered to passengers wanting "travel only."

Their fares would be the same as those in the total holiday package price based on rates substantially below normal scheduled air fares. The plan would mean big fares cuts.

In most cases flights would not compete with scheduled airlines. This is because the flights on which "travel-only" seats were sold would link only UK provincial cities — excluding Heathrow and Gatwick—with holiday destinations.

Examples would be Leeds/Bradford to Malaga, East Midlands to Palma, or Birmingham to Corfu.

Britannia Airways, a major independent some time ago originated such a plan although it was rejected by the CAA, on the grounds that the time was not ripe. Yet the CAA admitted the idea had merit and was worthy of further study.

At that time Britannia said it wanted to offer "travel only" seats on about 60 routes between UK provincial cities and the Continent—many of them Mediterranean destinations that were not served by scheduled flights from the UK.

The CCA has published its proposals in its official record, which means that they are effectively CAA licensing policy. Any airline making an application is likely to have it granted unless opposed by another airline, in which case, a public hearing would be held.

The CAA is believed to feel the more UK airlines apply for such rights, the more pressure can be brought to bear on foreign governments.

Foreign objections are likely to centre on the fact that the scheme will effectively be introducing cheap scheduled services between the UK and the Continent.

Government urged to discourage further rise in value of £

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

PROFESSOR ALAN BUDD, director of the London Business School's Centre for Economic forecasting, urged the Government yesterday to pursue policies to discourage a further rise in the value of sterling.

Professor Budd, who had an important influence on the shaping of the Government's monetary strategy, believes monetary policies need to be recast in terms of a wider range of targets including the exchange rate.

He said with the wisdom of hindsight it was clear the Government's squeeze on sterling M3 (the wider measure of money) last year and the consequent rise in interest rates contributed to an excessive rise in the exchange rate.

In spite of the overshooting of the Government's sterling M3 target in 1980 there was evidence that money was in short supply at the time.

In these circumstances "it was a mistake for the Government to allow the exchange rate to rise so much." The rise of sterling had put a squeeze on industry which was too great he believed.

"What we believe has happened is that the rise in the exchange rate controlled inflation entirely at the expense of profit margins. A fall in the exchange rate now would largely go to restoring profit margins without having too much effect on inflation."

Dr Budd believes there is a lot of evidence that sterling M3 is a misleading target on which to base monetary policy in the short run although in the longer term it is a good indicator of likely inflation rates.

The business school is trying to work out in detail how monetary policies could be directed at a range of monetary targets, while taking into account the desirable level of the real exchange rate.

This exercise runs parallel with an intensive discussion in the Treasury about how the Government's Medium Term Financial Strategy should be presented at the next Budget. There are many officials who would like sterling M3 to be demoted from its central place in the strategy.

Top civil servants to go

BY ROBIN PAULEY

A NUMBER of the most senior jobs in the Civil Service will be eliminated as part of a rigorous assessment of all senior posts ordered by the Government.

This follows a study of the "open structure" of the Civil Service by a team led by Sir Geoffrey Wardle, formerly second Permanent Secretary at the Environment Department.

The open structure comprises 41 permanent secretaries, 144 deputy secretaries and 557 under secretaries.

About 60 per cent of these jobs are held by civil servants with an administrative background. The rest are mainly concerned with medical, legal or scientific advice.

The review team decided that all the existing grades in the open structure are necessary and should remain but that a number of senior posts could and should be removed.

The Government has accepted this and another proposal that there should be regular reviews of all senior posts including examination by the Treasury.

Mr Barney Hayhoe, Treasury Minister, said Treasury officials and outside consultants will now help each government department to review "rigorously" all its senior civil service posts.

Sir Derek Rayner, Mrs Thatcher's personal adviser on Whitehall waste and bureaucracy will also be involved.

The Foreign and Commonwealth Office will conduct a similar review of senior diplomatic posts in London and senior officers of the armed forces will be included in the Defence Ministry analysis.

Abbey cuts lending rate for first mortgages

By Carla Rapport

STRONG COMPETITION from the banks has prompted Abbey National, one of Britain's top five building societies, to slice ½ per cent off the standard mortgage rate of 15 per cent in a scheme for new entrants to the housing market.

First-time buyers can now borrow up to £15,000 from Abbey National at 14½ per cent for the first year of the mortgage. After that, the loan reverts to the standard rate.

The Abbey is also modifying its step-ladder of increased interest rates for mortgages over £15,000. Those who borrow between £15,000 and £25,000 will now pay the flat 15 per cent standard rate. Mortgages between £25,000 and £30,000 will carry a 15½ per cent rate, while those over £30,000 will be subject to 16 per cent interest. Under the old system, some Abbey National borrowers have been paying as much as 17 per cent on their mortgages.

"We're facing increasing competition from banks which have moved into the housing market because they can't lend enough money to industry," the society said.

The building societies say banks have cornered about a third of the mortgage market, lending £200m a month compared with £400m a month advanced by the societies.

The Abbey said its move should aid the UK housing market "through lean times at the moment."

Among the big five, only Leeds Permanent has not announced plans to drop higher rates on large mortgages. Leeds said yesterday, however, that it was likely to fall in line soon.

"It's not a moral problem, it's a market problem," said Mr Stanley Walker, chief general manager of Leeds.

Abbey National is not the first building society to offer special rates for first-time buyers. Last month Bristol and West launched a £100m, 11½ per cent Bristol Bond, and earmarked £50m of the funds for first-time buyers.

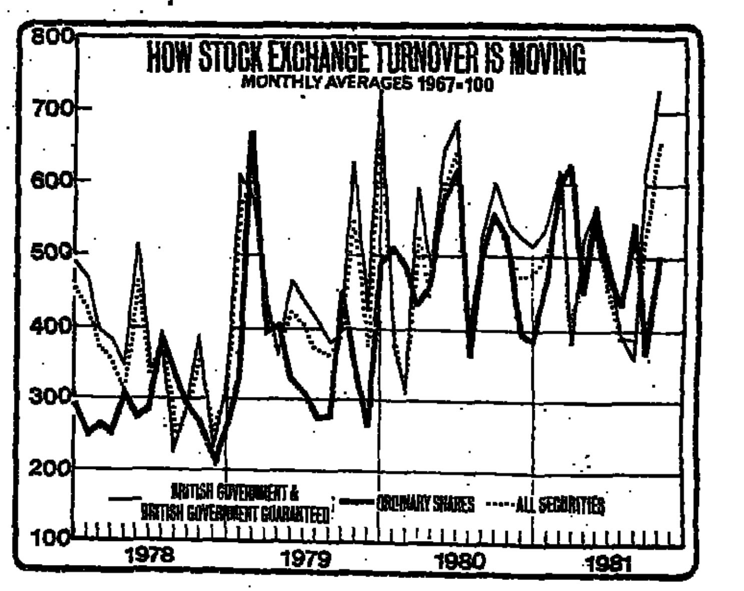
STOCK EXCHANGE BUSINESS IN NOVEMBER

Gilt-edged turnover at 22-month high of £17.1bn

By Nigell Spall

Fuelled by interest rate optimism, business in the gilt-edged sector of the Stock Exchange last month expanded to its highest since January 1980.

The spur was a drop in U.S. short-term interest rates and the surprise move by the major UK clearing banks in cutting their base rates from 15½ to 15 per cent. Widespread optimism about the trend continuing triggered all-round demand and the mood was reinforced by the unexpected exhaustion of the partly-paid £1bn long tap stock, Exchequer 15 per cent 1997, only a week after it was first activated.



The authorities subsequently issued a new £1bn issue, Exchequer 14 per cent 1986 and, following heavier-than-expected demand, created three lines, each of £250m of existing medium to long-dated stocks.

Turnover in gilt-edged securities during the month increased by £2.5bn or 17.4 per cent, to £17.1bn from October's £14.6bn.

Trade in longer-dated stocks increased by 38 per cent to £8.16bn, compared with October's £5.9bn, while the average value per bargain in this category expanded by £40,688 to £144,896. Business in short-dated stocks improved by £0.3bn to £8.98bn. The FT turnover index for Government Securities last month jumped to 725.5 from 617.8 in October, and compares with the 1980 monthly average of 535.0.

Gilt-edged prices moved forward during the month and the FT Government Securities index rose from an end-October level of 61.16 to 64.75, representing a five-week advance from a five-year low.

Business in equities, down to its lowest level since August 1980 in October, picked up considerably—by £746m, or 36.3 per cent, to £2.8bn. The month featured the flotation of Cable and Wireless, which made a highly successful market debut, and the subsequent launch of money broker Exco, scene of chaotic first-time dealings.

Equities were generally buoyant on hopes of further cut in base rates and the Financial Times Industrial Ordinary Share Index surged through the 500 mark with ease and closed the month 69.3 points higher at 537.8.

The number of equity dealings increased by 57,604 to 302,480, and the average value per equity bargain was £868 higher at £9,263. The FT turnover index for ordinary shares rose from October's 366.8 to 500.0. The 1980 monthly average was 458.0.

Business in all securities rose by £3.79bn, nearly 22 per cent on the month, to £21.29bn. The FT Turnover index for all securities jumped to 652.4 in November from October's 536.2, compared with the 1980 monthly average of 501.2.

Gold share prices had a poor month reflecting a fall in the price of gold bullion to below $400 an ounce. The gold price fell from an end-October level of $428 and touched $395½ before rallying to close the month $19 down on balance at $409. The FT Gold Mines index mirrored the bullion trend and dipped to 298.2 on November 24 before closing the month a net 27.4 down at 323.0.

Category	Value of all purchases & sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Govt. and British Govt. Guaranteed: Short dated (having five years or less to run)	8,977.5	42.2	29,756	7.1	427.5	301,702	1,417
Others	8,164.4	38.3	56,347	13.5	388.8	144,896	2,683
Irish Government: Short dated (having five years or less to run)	555.2	2.6	1,523	0.4	26.4	364,563	73
Others	383.9	1.8	2,695	0.6	18.3	142,463	128
UK Local Authority	272.0	1.3	4,017	1.0	12.9	67,702	191
Overseas Government: Provincial and Municipal	25.8	0.1	773	0.2	1.2	33,393	37
Fixed interest stock pref. and prefd. ordinary shares	109.6	0.5	20,515	4.9	5.2	5,342	977
Ordinary shares	2,802.0	13.2	302,480	72.3	133.4	9,263	14,404
Total	21,290.4	100.0	418,106	100.0	*1,103.8	*50,921	19,910

* Average of all securities

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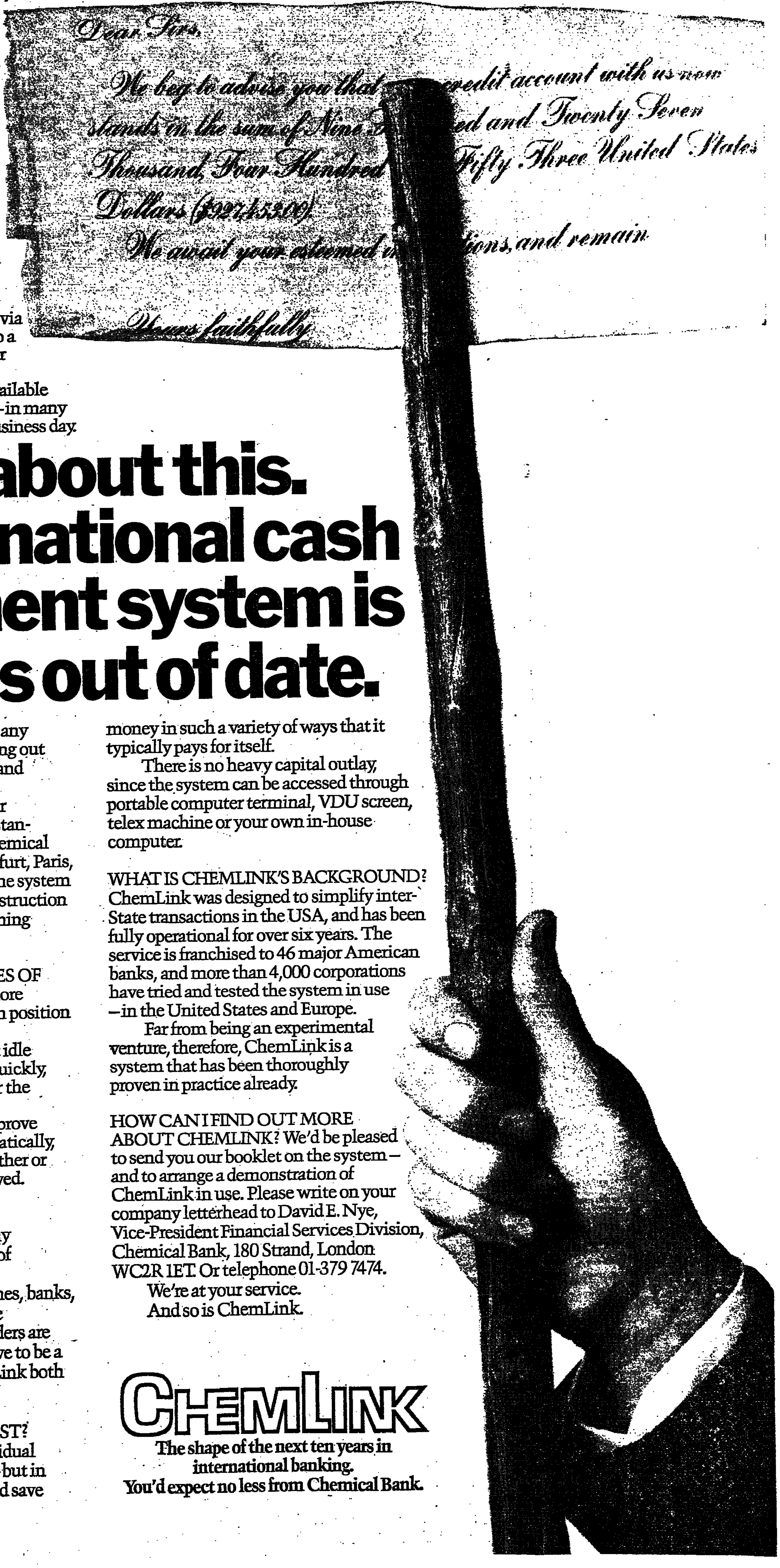

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Aid for W. Yorks jobless urged

By Nick Garnett

WEST YORKSHIRE has lost 10 per cent of its jobs in three years and there are virtually no signs of a sustained improvement in business confidence, a report on the county says today.

The economic trends report by the county council says the ability of local authorities, particularly in depressed areas, to tackle "environmental, social and economic tasks which the shake-out of labour and capital has left behind" are also being hampered by a lack of resources and business confidence.

The local authorities in the county, which includes some significant manufacturing areas, say the European Social Fund should be doubled and should make specific provision for funding job creation projects.

They also want Yorkshire and Humberside designated a Youth Unemployment Priority Region for next year's application for youth projects.

Textile and clothing workers and the young and long-term unemployed should be helped by a programme for textile and clothing areas co-ordinated by the Manpower Services Commission, industry training boards and other organisations.

The loss of jobs has accelerated steeply since 1978. However, the job replacement ratio — comparing jobs gained to jobs lost — has improved this year over 1980.

Last year, six jobs were lost for every one created, but this year has averaged two jobs lost for every one created. But fewer jobs were created in the county in the six months to the end of September than in the previous half-year.

Fifteen times as many people aged 16-18 were chasing each Careers Office-advertised vacancy in July this year than in July, 1979, the report says.

The number of Careers Office vacancies required in West Yorkshire to provide the same chance of employment for people in this age group in 1981 as in 1979 is 1,800, the report says. Only 110 are listed.

In a separate survey of North Yorkshire employment, the businesses forecasting the lowest increase in jobs are those employing fewer than 10 people. Less than a quarter expect to hire more people before spring 1983.

Concorde cancellation 'as expensive as continuing'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CANCELLATION of Concorde by the UK and French governments would cost more than continuing the present level of financial support for the aircraft.

This is the conclusion of a study by officials of the Department of Industry and their counterparts in France, after the recent Anglo-French ministerial meeting which reviewed the Concorde venture.

The study, requested by the ministers, has shown that efforts to bring down support costs (incurred through financing the manufacture of spare parts for the aircraft in British Airways and Air France service and in financing fatigue testing), have resulted in substantial savings.

The estimated net cost of cancellation in the five years from 1982 to 1987 would amount to £34m a year to the UK, in compensation payments to contractors and others, while the cost of continuing would be only £6m.

Another of the main conclusions from the latest review is that, because of the implementation of cost saving measures, the overall cost of support for Concorde in service will be cut by 33 per cent in 1982-83, 56 per cent in 1983-84 and 53 per cent in 1984-85, with further cuts likely in the following two years.

The two ministers, Mr Norman Lamont, Minister of State, and Mr Charles Fiterman, French Transport Minister, are due to meet again in the New Year to consider these and other detailed studies of Concorde which officials have been undertaking.

At their last meeting they took no decision on whether to continue supporting Concorde, in the absence of sufficient detailed financial information.

This information is now partially available as a result of the work already done by the officials, and by the New Year meeting much more information will be to hand.

That meeting will still have before it the question of cancelling Concorde, but in view of the improved cost savings now emerging cancellation is unlikely.

The cost savings are arising from such things as curtailing the fatigue testing of the aircraft, cutting down engine and airframe spares provisioning, reducing in-service support on the engines, reducing support for the manufacture of engine spares, and reduced insurance costs.

However, the two ministers will still have to consider whether in the long-term a phased run-down of the programme is desirable, or whether they are prepared to continue with it indefinitely.

Much will depend on how the operating costs of Concorde in service with British Airways and Air France turn out.

The estimated net cost of continuation of about £6m a year over the five years from 1982-83 to 1986-87 is derived after taking account of an anticipated surplus on Concorde operations by British Airways of £35m, or about £7.4m a year after 1982-83.

Gallaher to cut 800 jobs because of falling sales

By David Churchill, Consumer Affairs Correspondent

THE GALLAHER tobacco company plans to axe 800 production jobs early in 1982 as a result of falling demand for cigarettes following the extra duty imposed by the Government.

Cigarette sales, which slumped more than 20 per cent by volume after the Budget, are running about 15 per cent below last year's levels and are likely to be about a tenth down for the full year. The Chancellor added 14p duty on a packet ofof cigarettes in his spring Budget and a further 3p in July.

Gallaher, which produces such popular brands as Benson and Hedges Special Filter and Silk Cut, hopes the bulk of the redundancies will be voluntary. But there will still have to be some enforced job losses, on a "last in, first out" basis.

The biggest reduction will come in the Belfast and Ballymena factories in Northern Ireland, where cuts of about 500 jobs are planned. A further 300 jobs will be lost from the Hyde and Middleton factories near Manchester. Redundancies at the Cardiff and Port Talbot plants in Wales will be "minimal."

Gallaher said yesterday it was talking with the trade unions about the details of the redundancies.

Imperial Tobacco, the UK's largest tobacco producer, has already shed about 1,000 jobs in the past year, leaving a workforce of about 15,500. The staff cuts, a result of the sales slump, were mainly voluntary.

Carreras Rothmans said yesterday it had foreseen the slump in sales and had already started voluntary redundancies and plant modernisation. Up to 800 jobs could be lost in a three-year programme, which began this year.

But about 30 new jobs will be created by the company today with the opening of a warehouse and distribution centre at Rotherham.

David Fishlock awarded prize

DAVID FISHLOCK, Science Editor of the Financial Times, has been awarded first prize, worth $1,500, in the Worthington Pump Award for scientific and technical journalism.

The award was announced yesterday by the bureau of the European Union of Science Journalists' Associations, for an article, entitled "Nuclear industry tackles self-control," in the Financial Times.

Other winners in the newspaper section were Edith Darnhofer of the Kurier, Vienna, and Jean-Jacques Daeyler of 24 Heures, Lausanne.

Energy demand falls at slower rate and oil still hardest hit

BY RAY DAFTER, ENERGY EDITOR

THE FALL in UK energy demand is slowing, according to figures released by the Government yesterday.

The Energy Department's provisional statistics indicate that consumption in the August-October quarter was the equivalent of 68.9m tonnes of coal —1.5 per cent below the level in the corresponding period last last year.

In the first 10 months of this year, energy demand fell 5.0 per cent compared with the same period in 1980. Demand in 1980 was down 7.8 per cent against 1979.

Oil continues to be the energy sector most affected by the economic recession, conservation measures and a switch by fuel users to other energy forms, like coal.

Demand for petroleum products fell by 4.8 per cent in the August-October quarter, compared with the same period last year. In contrast demand for natural gas rose by 3.2 per cent—reversing a trend of falling consumption since the beginning of last year—and demand for coal remained static.

Another trend, evident from the statistics, is that the UK is producing an increasing surplus of exportable energy. In the August-October quarter, indigenous production of energy —essentially coal, oil and natural gas—reached the equivalent of 80.5m tonnes of coal, a 6.7 per cent rise on the corresponding period last year and almost 17 per cent more than the demand level.

Last year energy production was just 2.8 per cent above the UK demand level; in 1979, the country used substantially more energy than it produced.

North Sea oil production continues to rise. Output in the August-October quarter was 22.8m tonnes, 3.4m tonnes or 17.3 per cent more than in the same period last year. Cumulative oil production to the end of October was 73.8m tonnes, 11.7 per cent more than in the first 10 months of 1980.

Optimism as BSC cuts losses

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE LOSSES of the British Steel Corporation in the first half of the current financial year totalled £196m compared with £279m in the same period last year.

The reduction in losses had been widely anticipated following the trend towards improved productivity, a slight increase in volume sales, and some strengthening of prices.

Cautious optimism was expressed in a statement by BSC yesterday that further reductions in the rate of loss can be expected in the current half year. If achieved, this will contrast with the growing rate of loss in the second six months of the 1980-81 financial year, which led to BSC's record loss of £665m in the full year.

Mr Ian MacGregor, the chairman, has indicated that the corporation should be moving towards break-even by the end of next year on the assumption that the price increases scheduled for January 1982 will be sustained and that there will be continuing improvements in efficiency levels.

The improvement in the financial position in the first half of the current year reflects a reduction in losses at the trading level from £187m last year to £154m this year, and a lower interest charge (£42m against £92m last year) as a result of the Government writing off some of BSC's long-term debts in the Iron and Steel Act earlier this year.

BSC's liquid steel production in the first 27 weeks of the current year totalled 7m tonnes, against 6.1m tonnes in the first 26 weeks of 1980/81 and 5.8m tonnes in the second half of last year.

Deliveries of finished and semi-finished steel products totalled 5.3m tonnes against 5.1m tonnes in the same period last year. Home deliveries fell from 4.1m tonnes to 3.8m tonnes.

Considerable consumer resistance to the projected price increases in January is being mounted in the UK, but the BSC statement emphasises that its current prices "have only just returned to and begun to exceed the level they had reached in 1979".

M. L. Doxford into voluntary liquidation

BY ROSEMARY BURR

M. L. DOXFORD, the troubled London commodity brokers, has gone into voluntary liquidation. In a statement yesterday the directors said: "In the best interests of the company's creditors they have instructed Stoy Hayward to take steps to put the company into voluntary liqidation."

The main creditor is Wilson, Smithett and Cope, a member of the Guinness Peat Group, which lent Doxford more than £2.5m, secured by a charge on the brokers' London headquarters.

Doxford's headquarters were valued in the last balance sheet dated October 31, 1979 at £4m but recent attempts to sell the building have failed.

On November 17 Doxford said it had ceased trading in commodities and hoped to sell the business and its headquarters.

The directors say talks on both of these matters are continuing.

Doxford specialised in the management of portfolio and discretionary accounts for institutional and private investors. The majority of its business was discretionary management of commodity portfolios. At the last available balance sheet for the year ended October 31 1979 nearly £3.7m was due to clients.

Mr Leonard Lee, managing director of Cleves Investment, the investment managers, which had clients who had invested with Doxford, said: "I hope clients can get their money back as Doxford says it has not traded the syndicates for some months."

Cleves originally had upwards of £½m of clients' money invested with Doxford but a combination of withdrawals and losses on commodity syndicates has whittled this down to about £50,000.

Cleves says that according to the October statement sent to clients the syndicates in which they had invested were showing losses varying from 8.55 per cent to 68.92 per cent. None of these funds is now invested in the commodities market.

Mr George Auger of accountants Stoy Hayward has been appointed liquidator of Doxford. The first creditors meeting will be on December 16.

N. Atlantic fare rise likely after talks

BRITISH AIRWAYS, British Caledonia and other airlines on the North Atlantic route have started talks in Geneva to find ways of reducing, if not eliminating, their losses on the route, estimated at more than $650m (£342m) this year.

The most likely immediate result will be higher fares, subject to the approval of governments involved, especially the U.S. The rises could be up to 10 per cent from January 1, with perhaps a further rise in the spring, and possibly even another in the autumn.

The problem facing the airlines is that the U.S. Government, through the Civil Aeronautics Board, opposes any kind of fares-fixing among the airlines, especially through the International Air Transport Association, which the board believes is anti-competitive.

The board believes airlines should be in open competition, and that any fares-fixing or other regulating should be done between governments on a bilateral basis.

Several U.S. airlines, including Pan American and Trans World Airlines, are among the 27 airlines, all of them members of the association, which are attending the talks.

Tube's new look

Work on a £3m modernisation programme for the Bakerloo Line areas of Charing Cross Underground station starts on Monday.

The platforms will have melamine murals along their walls, similar to those on the Northern Line at the station. The design, based on paintings from the National Gallery and National Portrait Gallery, will be unveiled when the two-year job is completed.

Welsh tourism plan

TOURIST CHIEFS in Wales are to spend £750,000 on a four-month advertising campaign to attract holidaymakers from other UK regions next year.

Cancer project aid

GRANTS totalling nearly £632,000 have been awarded to Oxford University by the Cancer Research Campaign to support 16 existing and new research projects into the disease's causes and treatment.

Highland Venture Capital to help meat processor

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

HIGHLAND Venture Capital, formed at the start of this year to help developing businesses in the Scottish Highlands and Islands, has made its first investment.

It is taking a 35 per cent stake costing £75,000, in the equity of Caiman of Caithness, a small company developing an integrated meat processing business in the far north of Scotland.

Highland Venture Capital was set up by the Highlands and Islands Development Board, which is Government-sponsored, the Bank of Scotland and the Industrial and Commercial Finance Corporation. The investment in Caiman will be funded equally by the three partners.

HCV has been set up with the help of Venture Founders, an American group looking for capital investment opportunities. Venture Founders has already been associated in this country with Rainford Venture Capital in St Helens, which has the financial backing of Pilkington Brothers, the glass group.

Mr Keith Farquharson, head of industrial development at the board, said yesterday that this form of support for growing companies was a new departure in identifying entrepreneurial schemes and developing them.

Mr Peter Want, who holds just over half the capital of Caiman, is an agricultural scientist. He employs eight people and the initial three-year expansion programme should add another 20.

HCV's choice of entrepreneur to back has been made after a series of workshops, in which 24 of the 300 applicants for assistance took part.

The two day workshops were run by the Americans and each applicant's plans were examined.

HCV will probably announce further investments in the new year.

Date set for by-election at Lloyd's

By John Moore

THE FIRST by-election at Lloyd's of London, the insurance market, will be held on January 13 and is likely to prompt political in-fighting.

The date of the election was set yesterday a week after the surprise resignation of Mr Robert Kiln, a senior member of the Lloyd's committee. It has been called to replace him on the committee, and the date was set as Mr Leslie Dew, a former deputy chairman of Lloyd's, launched an attack on the procedure.

Writing in Lloyd's List Mr Dew, now an underwriter in Bermuda, warned of the danger: "If a by-election is called in the current atmosphere, suspicions of gerrymandering and rigging will attract larger audiences to this current revival of Lloyd's long-running tragi-comedy"

He suggested the person who polled fifth position in a recent election should be appointed to the committee.

BBC puts £8.8m into Xmas schedule

BY JAMES McDONALD

THE BBC will be spending £8.8m on its Christmas television programme in the fortnight up to New Year's Day. A greater proportion of the money than last year will be spent on home produced programmes and less on feature films, mainly imported.

Mr Alasdair Milne, managing director of BBC Television, said in London yesterday that of the £8.8m, £6m was accounted for by BBC productions and £2.8m by purchased films. The total was £300,000 more than in the same period last year but, taking inflation into account, this year's programme was less costly.

REPORT ON ALTERNATIVE CASH SOURCES

Pressure on the NHS

EVIDENCE of the strain on National Health Service funding has been visible for some years, accompanied by increasing pressure from certain sections of the Conservative Party for an overhaul of the system.

The House of Commons Public Accounts Committee recently criticised manpower and financial controls in the NHS, and ministers will be faced before Christmas with a report from an interdepartmental group on alternative methods of funding.

The National Health Service is the UK's largest employer. With a budget in the current financial year of £11.12bn in England alone, it has a major impact on the rest of public spending. In September 1979 it employed 766,958 people in England and had 361,670 beds in some 2,000 hospitals. It employs 930,000 full-time in the UK.

Health authority spending has remained constant in real terms under the present Government, although the proportion of the UK's gross national product spent on health care is one of the lowest in Western Europe. Spending on health care in the UK took 5.4 per cent of GNP in 1975, well down on the European Economic Community average.

The main source of funding for health care in the UK since the establishment of the service in 1948 has been through general taxation.

The Consolidated Fund provides 90 per cent of the cost, the proportion of the National Insurance contribution allocated to the NHS adds another 8 per cent, and charges to patients are worth another 2 per cent.

NHS treatment for emergency operations and illnesses is seen generally as satisfactory, but there are long waiting lists for non-acute medical surgery and treatment. The NHS has found that improvements in treatment created additional demand for services.

Three developments have thrown NHS financing into relief and led to the working party currently looking at ways of funding it. The fact that the party is allowed to consider all options has led to health service unions already seeking a meeting to plan possible action to preserve the way the NHS is run and funded.

The first development is the rise of "privatising" ideology in the Conservative party, helped by the emotional commitment of the Prime Minister and Mr Norman Fowler, Social Services Secretary, one of the Cabinet's most ardent privatisers. In his last job as

THE national health service is the UK's largest employer and its budget has an impact on the rest of public spending. Gareai Griffiths looks at the changes being considered in the way it is funded.

Transport Secretary he hinted in September that the ambulance service could be privatised.

The Institute of Economic Affairs in September expressed doubts about whether the NHS could survive. An IEA paper argued that by 1995, 40 per cent of the population would be in private health schemes.

Forecasts about the growth of private health schemes on such a scale horrify the private medical sector geared to emergency surgery and generally excluding long slow care.

Dr Gerard Vaughan, Health Minister, suggested that 25 per cent of the population would be covered by private health within the next few years, but this was treated with scepticism by the private medical sector.

The British United Provident Association (BUPA) has already said the sector could not cope with the massive growth estimated by extrapolating existing trends. Private medical cover grew by 33½ per cent between 1978 and 1980, and the rate of expansion has already slowed.

A second development has been the strains in the existing system of finance and organisation. The Government is looking at ways of improving financial links between the health authorities and local authorities. The initiative in NHS health care funding during the past five years has been concentrated on joint financing delays between the two sets of authorities, particularly on projects for the elderly and the mentally handicapped.

Local authority expenditure restraints have meant that some schemes have failed to materialise, and contributed to underspending of £11m on regional authorities' budgets last year, a subject of recent ministerial criticism.

At the same time, the system of financial and manpower controls in the NHS have been criticised by the Commons Public Accounts Committee.

The final development is the attractions of a two-tier system of treatment with private patients footing more of the costs through private medical schemes. The Government has been particularly impressed by the West German system, where some 90 per cent of the population belong to one of nearly 1,500 sickness insurance schemes. Employers and employees pay a levy averaging 11.5 per cent of income.

The attraction of a social insurance scheme for the Government is that it allows more play to market forces. But controls on spending are likely to lessen, because market orientated health schemes tend to push up costs. Increased demand for cover from the better-off inflates the total cost as is demonstrated in the U.S. which spends a far higher proportion of its GNP on health than the UK.

Whatever changes the working party on NHS finance recommends are likely to be met with considerable resistance. The worry among DHSS officials is that the possible NHS reforms on funding could stir up a hornet's nest similar to that which erupted over local government finance two years ago.

'Unique contracts' in financial futures market

BY DAVID MARSH

THE LONDON financial futures market, planned to start in September next year, will attract European and Middle East participation by offering a range of distinguishing features compared with the established markets in Chicago, Mr Michael Jenkins, chief executive of the exchange, said yesterday.

He told a seminar on financial futures, organised by the First National Bank of Chicago, that the London market would offer "unique contracts" designed for European users.

By enabling trading in forward contracts, financial futures markets provide company treasurers, banks and dealers with an opportunity to cover risks or to speculate in fast-moving currency and credit rates.

Contracts in London are planned in four key currencies against the dollar, in short-term dollar and sterling interest rates, and in long-term gilt-edged stocks.

The exchange was considering whether to locate trading in the dollar/sterling currency contract in the same dealing "pit" on the market floor as the Eurodollar interest rate contract. This would enable users to cover their foreign exchange position at the same time as dealing in dollar interest rates.

The London market — which will occupy the courtyard of the City's Royal Exchange building now being refurbished — was in the right time zone to link up with business both in the Far East and in the U.S.

A further attraction of the London market was the non-statutory regulatory framework in the City, Mr Jenkins said the Bank of England would be responsible for the market's overall surpervision, but the London Exchange would be self-regulating and run according to the City's own rules and customs.

Clearing arrangements on the London market, like in Chicago, would be based on a system of compulsory margins, under which users would have to balance their position with the market on a daily basis. This was not universally popular, Mr Jenkins said, but was necessary to establish the "integrity" of the market.

The structure of the London market would be different from that in Chicago, where there is a higher preponderance of speculators and local-based traders.

Energy development fund 'should start without U.S.'

BY DAVID TONGE

WESTERN COUNTRIES should set up a body to finance energy development, even if the U.S. does not join, Mr Maurice Strong, chairman of the International Energy Development Corporation, said yesterday.

"We are past the day when we need to wait for the U.S.," he told the Financial Times seminar on international finance for development in London.

Washington has blocked World Bank plans to set up an energy affiliate, but Mr Strong referred to last week's speech in Vienna by Sheikh Ahmed Yamani, the Saudi Minister of Petroleum and Mineral Resources, who supported such an affiliate though saying it was less than the Saudis wanted for developing countries.

Mr Strong said the real crisis for developing countries was a shortage of money, not of energy. He contrasted the 14,000 wells sunk in Organisation for Economic Co-operation and Development countries in 1979 with the 640 sunk in the non-oil developing world.

The political risks in developing countries were exaggerated, he said. He proposed establishment of an exploration insurance fund, financed by production proceeds and allowing the start of loan financing on a project basis for exploration.

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INTERNATIONAL FINANCE FOR INVESTMENT
CONFERENCE

Backing the creation of an international exploration and development fund, he said there were signs that the big oil companies were stepping up exploration in the developing countries. These countries contain 2 per cent of proven world oil reserves but might have 15 per cent of ultimately recoverable reserves.

The national oil companies of oil-importing countries could join this fund, while the International Finance Corporation, a branch of the World Bank, could help catalyse private interest.

Mr Hussain Najadi, chairman of the Bahrain-based Arab Asian Bank, warned that the big Arab money banks would soon reach a limit to the amount of oil funds they can recycle through commercial Euro-loan syndications. He believed other big international banks would soon reach this limit too.

He denied that the Arabs had been cautious in financing developing countries. Arab members of OPEC were contributing 2.34 per cent of their GNP to aid, while members of the Paris-based OECD contributed 0.37 per cent.

Arab aid was almost entirely in cash, while Western aid included project-related assistance and the exports of plant, equipment and know-how, he said.

He was disappointed at the results of the recent Cancun summit in Mexico and regretted that the Arabs, as new "members of the Rich Men's Club", did not have the institutions to break away from methods of Western banking and help productive investment in the Third World.

Loans were not enough, he said.

Mr Roger Azar, chairman of Azar SA, also stressed the volume of aid given by Arab countries. The indirect benefits to the industrialised countries of Arab aid to developing countries might exceed the total of Western development aid.

But Arab countries were discreet about their contributions, he said, partly because they feared being swamped with requests, and partly because of their reluctance to publicise generosity.

He said two-thirds of the loans and grants went to transportation projects and financing foreign trade. Power projects attracted 18 per cent of aid given in 1980, industrial projects 9 per cent and agriculture 7 per cent.

Mr Azar told the seminar that the Arab countries had lending capabilities of close to $40bn. They had met a small part of developing countries' needs, but their role would increase.

Detailing the various Arab funds, he warned of Arab pressure to ensure that oil wealth secures decent living standards for future generations, and cited Kuwaiti fears that "when oil is gone the region will turn into an empty desert with a polluted Gulf."

Mr Greayer told the seminar that the region was becoming more self-reliant as U.S. banking dominance was eroded. But he warned against predicting "a series of mini-Japans stretching across the map."

Asia's traders did not have domestic economies capable of absorbing a significant percentage of their own output, he said. A slowdown in development could frustrate the new aspirations of the people of the area and lead to unrest.

This raised the need for more bank lending, but he said many banks could develop second thoughts about lending to Asia, particularly as rewards had been limited.

Mr Carlos Santistevan, general manager for Central Bank Affairs at Libra Bank, told the seminar that last year Latin American countries had to spend $25bn (£12.8bn) on servicing their debts—now around $146bn — and that this was a big contributor to last year's current account deficit of $27bn.

He forecast that the region's external financial gap would be around 8 per cent of GNP in the years 1981-5 but would decline to 6.9 per cent in 1986-1990.

Mr Santistevan called for more attention to the profitability of investment financed from borrowed funds. Export credit should be combined with credit from international lending agencies and credit from private bankers.

Mr Claus Labes, executive director of Credit Suisse First Boston, proposed that bodies such as the World Bank should guarantee bond issues by deevloping countries, at least in their initial stages.

BL reopens talks on tea-break dispute

By Arthur Smith, Midlands Correspondent

BL CARS' management reopened talks last night with trade unions in another move to end the strike over tea breaks that has halted car assembly at Longbridge, Birmingham.

The move came after shop stewards and local union officials had poured scorn on a peace formula put forward by the company after talks on Tuesday between Sir Michael Edwardes, BL chairman, and Mr Moss Evans, general secretary of the Transport and General Workers Union.

BL called for a return to work and offered a week's "cooling off" period to continue negotiations on the proposed cut in tea breaks and rest periods.

Mr Evans last night accused the BL management of "intransigence" and failing to recognise the strength of feeling of the workers on strike.

He said: "Management must understand changes in working conditions cannot be unilaterally enforced." He stressed the need for negotiations and argued the dispute could and should be resolved by discussions.

BL insists that the introduction of the 39-hour week implemented in November should be funded by a cut in the relaxation allowance from 51 minutes a day to 40.

Mr Evans said local negotiators had taken a realistic view and were prepared to produce as many cars in 39 hours as 40 to avoid an increase in manufacturing costs.

Union leaders hope to hold another mass meeting of strikers later this week to report on the negotiations with management. Officials are doubtful whether the concessions made so far will be sufficient to end the dispute in spite of the hardship to workers of lost earnings before Christmas.

Mr Brian Mathers, Midlands secretary of the TGWU, said workers were suspicious about the management's intentions. They feared that if they returned to work, the four weeks of talks might prove to be a sham.

The numbers on strike at Longbridge increased this week from 2,200 to about 4,000 following the appeal by the management to workers to ignore union advice and report for duty. Another 5,000 workers have refused to cross the official picket lines.

Ford faces threat of wage action

BY PHILIP BASSETT, LABOUR STAFF

LEADERS of Ford's 54,000 manual workers yesterday reintroduced to this year's pay talks the threat of industrial action by deciding to recommend to mass meetings next week what would effectively be an all-out strike over the company's 7.4 per cent pay offer.

Talks between the company and its 17 manual unions collapsed yesterday after the unions told the company they would seek the support of their executives and recommend a "major dispute" to mass meetings at the plants next Tuesday.

The threat echoes one made in the pay round earlier and subsequently set aside when negotiations were reopened. There is clearly time for further talks before next Tuesday's meetings.

Developments in other unions, such as acceptance by tanker drivers of an 8.1 per cent pay offer and by engineering workers of a 5.06 per cent offer this week—may also influence Ford workers' readiness to take action.

Ford union leaders reaffirmed rejection of the company's offer which would increase pay by 7.4 per cent, and which holds out the prospect of a one-hour cut in the working week to 39 hours in January 1983—two months after the date of the deal currently under negotiation.

The offer would give the two mid-grades of Ford's production workers, who account for about 40,000 of the total manual workforce, rises in weekly wages and supplements combined of £7.50 and £8.04, which would take their average weekly earnings (on alternating day and night shifts) to £128.44 and £134.33.

The offer is firmly linked by the company to improvements in efficiency. The unions have put forward alternative proposals on monitoring efficiency improvements.

However, when Mr Paul Roots, Ford's industrial relations director, asked the unions in yesterday's talks if they would accept the offer if the company agreed to the union's proposals for policing the efficiency measures, Mr Ron Todd, Transport and General Workers' Union national organiser and Ford's chief union negotiator, insisted that the unions would still want further improvements in the money on offer.

The unions are also seeking improved pension arrangements and the bringing forward of the reduction in hours.

It is still thought, however, that the principal stumbling blocks to an agreement are Ford's insistence on optimum flexibility and the avoidance of demarcation restrictions, which the company feel will help towards improved productivity and reduced absenteeism.

The unions' proposals for voluntary regulation of the efficiency improvements by means in the final instance of a national-level panel of full-time union officials are seen by the company as a reduction of the effectivenes of their proposals which will leave Ford with little more than existing arrangements on efficiency, with which it has been less than satisfied.

Union starts campaign to win staff of U.S. banks

By Brian Groom, Labour Staff

THE TUC-affiliated Banking, Insurance and Finance Union yesterday threatened to use U.S.-style boycotts in a tough campaign to recruit British employees of American banks in the UK.

Bifu has only 150 members among the nearly 11,000 UK employees of the 77 U.S. banks in Britain. The union wants to expand its overall membership of 148,000.

Mr Steve Gamble, Bifu's assistant secretary for the international banks, characterised the U.S. banks yesterday as "classic anti-union outfits," paying markedly below English clearers' rates to most staff and refusing to formalise salaries and conditions.

The union fears that the U.S. bank's determined expansion into UK retail banking, although it was happening slower than the banks envisaged, could loosen the unions' grip on issues such as opening hours and the pace at which new technology is introduced.

Mr Gamble singled out this week's announcement that a First National Bank of Boston subsidiary had opened five money-shops inside Debenhams, the department store, as the kind of development which was likely. He warned that jobs were at risk if the U.S. banks' strategy failed.

The Bifu's campaign began with a moderately well-attended meeting in the City on Tuesday. Next year, targets considered ripe for unionisation will be selected.

If a recognition dispute develops, Bifu is prepared to instruct members in British banks to boycott the U.S. banks' business.

It cites as an example the long-running boycott in the U.S. of Seattle First National. Banks in the U.S. have a history of non-unionisation but the Union of Food and Commercial Workers has been campaigning to break down their resistance.

Departmental doubts on Civil Service pay

BY OUR LABOUR STAFF

THE Inland Revenue and Customs Departments have indicated important differences over the Government's desire to make Civil Service pay more subject to market forces through regional and merit pay systems.

The Government is keen to see market forces brought closer to bear on Civil Service pay and Whitehall officials hope that the pay inquiry now sitting under Sir John Megaw will reflect that.

Evidence to the inquiry from the two Departments casts doubt on the effectiveness of regional, merit and productivity pay in meeting that objective.

Industrial action in the Revenue and the Customs was central to the 21-week strikes which led to the inquiry's being set up. Both Departments' views are likely to be seen favourably by their unions.

The Revenue sees a case for a regional pay system distinguishing between non-mobile, mainly clerical, and mobile staff, to enable it "to offer more attractive rates in 'difficult' recruitment areas, without having to pay the same premium in the less difficult areas."

This, it says, would be a major administrative task, leaving great scope for argument with the unions, and suggests in any case that there could be only two or three rates outside London for the main grades, with provision for locations to be moved between scales if there was justification.

It states firmly that "local variation is not in general desirable for mobile staff." On merit pay, "a general scheme across the whole Department, unless it was very rough justice, would be difficult and involve a significant management cost."

Consideration should be given to the idea of regional pay, the Customs says in its evidence, though it adds: "We can see difficulties in the way of introducing regional differentiation generally."

Local differentiation might help to counter wastage, particularly in key computer areas, but the various internal boundaries of the Customs might lead to administrative difficulties, and could reduce willingness of staff to move.

Matthews to meet printers over plans for Express

BY OUR LABOUR STAFF

PRINT union leaders will today meet Lord Matthews, chairman of Express Newspapers, who yesterday firmly denied reports that the Daily Express and its associated titles were for sale.

Union officials seemed confident last night that speculation that the newspapers are for sale would be proved wrong at today's meeting, and that a joint statement could be agreed with the company.

The unions are likely to learn that while Trafalgar House, Express Newspapers' parent company, does not intend to sell the newspapers, the company does intend to hive off its newspaper interests.

They are expected to be told that this will be achieved by splitting off Trafalgar's newspaper and magazine division into a separate quoted company, and offering the shares to existing Trafalgar shareholders.

Lord Matthews, who would be chairman of the new company while remaining Trafalgar's chief executive, said yesterday that reports that the titles were for sale were "untrue and without foundation."

He said further that suggestions of a merger with Associated Newspapers, which have been circulating in Fleet Street for some time, were "ill-informed speculation."

Union officials are convinced that such a merger is unlikely, partly because of foreseen industrial relations difficulties if any new group persisted with Associated's plan for its Mail on Sunday paper at the expense of the Sunday Express.

Some print unions, notably the National Graphical Association, were keen to distance themselves from the reported involvement of the Society of Graphical and Allied Trades in talks with Trafalgar.

Further setback for BSC hopes for local deals

BY BRIAN GROOM, LABOUR STAFF

BRINKMANSHIP between the British Steel Corporation and its biggest union over next year's pay deals moved into a new and more anguished phase yesterday, when the Iron and Steel Trades Confederation claimed that the Corporation had issued 500 redundancy notices at the Port Talbot plant in South Wales.

ISTC leaders said this was a deliberate attempt to press them into accepting BSC's plan to make pay rises dependent on local agreements to shed another 19,000 jobs by July.

The ISTC claimed the redundancy notices threatened that members of those unions which had not reached agreement with the BSC by December 31 would get only the statutory minimum severance pay. The Corporation denies issuing the notices.

BSC's plan has been accepted by more than 40,000 workers in the craft and general unions and the National Union of Blastfurnacemen, but the ISTC — with 56 per cent of the Corporation's workforce of 109,000 — is putting up a lengthy resistance.

BSC management met the union's 70-man negotiating committee yesterday at a London hotel. The meeting broke into two separate groups and heated arguments on the union side went on into the evening.

BSC's tactics were to split the South Wales workforce—which has already seen dozens of jobs cuts implemented—from the workers at Scotland, Teesside and Scunthorpe, the union believed.

ISTC leaders feared that similar redundancy notices would be issued to Llanwern.

The union tried to extract further concessions from the Corporation yesterday on pay and the job losses, but the Corporation stood firm, except on minor points. The ISTC has been seeking absolute agreement that none of the planned redundancies will be compulsory.

Miners' candidate attacks pre-election 'smear'

FINANCIAL TIMES REPORTER

AS VOTING started yesterday in the National Union of Mineworkers presidential election, one of the four candidates, Mr Ray Chadburn, the Nottinghamshire president, said he was considering legal action, following the publication of an article in the Yorkshire Miner which he claimed was "character assassination" and smeared all three moderate candidates.

The article claimed that Mr Chadburn worked for the East Midlands Electricity Board and was paid thousands of pounds a year.

Mr Chadburn said, "It is well known that I am a part-time member of the board in order to represent the interests of the NUM.

"I receive a small fee of about £1,000 a year, which just about covers my hotel and travelling expenses. An accusation such as this should not have been published at the last moment in the Yorkshire Miner, because it gives absolutely no opportunity of reply."

Meanwhile, about 800 miners were on strike yesterday at Pye Hill colliery at Underwood in Nottinghamshire, over bonus payments.

Ballot on knitwear offer

MEMBERS OF the National Union of Hosiery and Knitwear Workers will be asked today to vote on a 5 per cent pay offer.

The industry is based mainly in Leicestershire, Nottinghamshire and Derbyshire. More than 90,000 workers could be affected by the pay award, but not all will take part in the ballot as some companies negotiate individually.

The industry has been hit by cheap foreign imports, and some 4,000 jobs have been lost this year. The union said ballot papers would go out today and will be counted on December 16. The result will be known the following day.

COMPANY NOTICES

THE COMPANIES ACTS 1948 TO 1981

NOTICE TO DISSENTING SHAREHOLDERS

Pursuant to Section 209(2) of the Companies Act 1948

In the matter of

PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

(hereinafter called "the transferor company")

Notice by WINTERTHUR SWISS INSURANCE COMPANY (hereinafter called "the transferee company")

To: THE HOLDERS OF SHARE WARRANTS TO BEARER FOR 3.5 PER CENT (FORMERLY 5 PER CENT GROSS) CUMULATIVE PREFERENCE SHARES OF £5 EACH

WHEREAS in pursuance of a scheme or contract involving the transfer of the 3.5 per cent (formerly 5 per cent gross) Cumulative Preference Shares of £5 each ("Preference Shares") in the transferor company to the transferee company certain Preference Shares were on the 15th day of November, 1981, transferred to the transferee company or to its nominee.

NOW THEREFORE the transferee company, in pursuance of sub-section (2) of Section 209 of the Companies Act 1948, hereby gives you notice that those Shares, together with such other Preference Shares in the transferor company as were held by, or by a nominee for, the transferee company or its subsidiary at the said date, comprise or include nine-tenths in value of all the Preference Shares in the transferor company.

AND FURTHER take notice that you may, within three months from the giving of this Notice, give notice that you require the transferee company to acquire your holding of Preference Shares in the transferor company and that if you give such notice the transferee company shall be entitled and bound to acquire those Shares on the terms on which under the said scheme, or contract the Preference Shares of the approving shareholders were transferred to it, or on such other terms as may be agreed or as the Court on the application of either the transferee company or yourself thinks fit to order.

For the Transferee Company
HANS BRAUNSCHWEILER
Director
Winterthur Swiss Insurance Company
General Guisan Strasse 40
CH-8401, Winterthur
Switzerland

Dated this 3rd day of December 1981.

All communications regarding this Notice should be addressed to Samuel Montagu & Co. Limited, New Issue Department, Augustine House, Austin Friars, London EC2N 2JL.

ROLINCO

With reference to the announcement dated 30 November 1981 concerning the Cash Dividend payable 8 December 1981 on Rolinco NV Sub-Shares registered in the name of National Provincial Bank (Nominees) Limited, the rate of exchange for the payment of this dividend is Fls. 4.7470 = £1.00.

UNITED KINGDOM RESIDENTS

NON RESIDENTS OF THE UNITED KINGDOM

THE BRAZIL FUND S.A.
SOCIEDADE DE INVESTIMENTO
D.L. 1401

ITO-YOKADO CO., LTD.
(CDRs)

The undersigned announces that as from 15th December 1981 at Kas-Associatie N.V., Spuistraat 172, Amsterdam and at Banque Générale du Luxembourg S.A. in Luxembourg div.cp.no. 17 (accompanied by an "Affidavit") of the CDRs Ito-Yokado Co., Ltd. will be payable with

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 25th November 1981.

International Depositary Receipts (IDR) issued by Morgan Guaranty Trust Cy of New York representing ordinary convertible class "C" shares of BRASCAN LIMITED

A distribution of Can$0.40 per depositary share less any applicable taxes and fees will be payable on and after January 29, 1982, upon presentation of Coupon No. 20 at any of the following offices of Morgan Guaranty Trust Cy of New York:

—New York (USA), 30, West Broadway
—Brussels, 35, avenue des Arts
—Antwerp, 62, Frankrijklei
—London, 1, Angel Court
—Paris, 14, Place Vendôme
—Frankfurt, Bockenheimer Landstrasse 8
—Zurich, Stockerstrasse 38
and Banque Générale du Luxembourg, 14, rue Aldringen, Luxembourg.

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—New York, 30, West Broadway
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—London, 1, Angel Court.

CANADIAN & FOREIGN SECURITIES CO. LIMITED

Toronto, November 20, 1981.

ART GALLERIES

Full text of the Chancellor's speech

> "Our spending plans provide broadly for increases of 4 per cent in the total sums available to the pay of public servants from next settlement dates. The provision for administrative costs will be further reduced by the impact of a general reduction of at least 2 per cent in all cash limited expenditure"

THE CHANCELLOR SAID:

"With permission, Mr Speaker, I wish to make a statement about the Government decisions on public expenditure in 1982-83 and on the future pattern of national insurance contributions for next year on the basis of the Government Actuary's report which is being laid before the House tomorrow.

In each case the proposals follow the annual reviews which take place at this time of year. They will take effect not in this financial year but in the next one: 1982-83. I am also publishing today, as required by the 1975 Industry Act, the forecast of economic prospects for 1982.

Eighteen months ago the annual increase in the RPI was 22 per cent. A year ago 15 per cent. It is now about 12 per cent. Over the next year, we expect a further reduction to about 10 per cent. Output is expected to rise by about 1 per cent, manufacturing ouput rather more rapidly. The outlook, in short, is for gradual recovery.

As I told the House in my Budget statement, we are no longer planning public expenditure in volume terms but in cash. The plans for next year, which appeared in the last White Paper in volume terms, have therefore to be revalued in cash. On this basis, the starting point for discussions about 1982-83 was a cash total of £110bn. The net result of the decisions which I am announcing today will be to raise that figure by almost £5bn, to bring the planning total for next year to about £115bn. The exact total for next year will depend upon decisions about the appropriate provision for certain demand determinede programmes and for the contingency reserve.

At the time of the Budget we expected cash expenditure in 1982-83 to grow more slowly than we now envisage. We now think it appropriate to increase the planned provision for certain programmes to reflect changed circumstances. It is too early to judge with precision what these changes will mean for next year's public sector borrowing requirement. On the basis of the conventional assumptions, set out in the Industry Act forecast, there is no present reason to depart from the projections published at the time of the last Budget. I shall, of course, have to take all the relevant factors into account, when the time comes for framing next year's Budget. I shall inform the House now about some of the main changes.

Increases in programmes, whether on account of policy or of changed demands, amounts to about £6bn. But we have made offsetting reductions in previous plans of over £1bn. These restrict the net increase to the figure of £5bn that I have already mentioned. The administrative costs of central Government are not far short of 10 per cent of total public expenditure. We are determined to reduce that proportion and maintain the drive for more efficient management throughout the public sector.

Our spending plans provide broadly for increases of 4 per cent in the total sums available to the pay of public servants from next settlement dates. The provision for administrative costs will be further reduced by the impact of a general reduction of at least 2 per cent in all cash limited expenditure. This will involve economies in the cost of maintenance and improvement of government buildings, as well as in manpower and ancillary services. And we shall continue to reduce civil service numbers, so as to maintain progress towards our aim to have 102,000 fewer staff in posts in April 1984 than when this Government came into office.

My Right Honourable Friends the Secretaries of State for the Environment and for Wales are about to undertake consultations with the local authority associations on the increase in local housing income including rents to be assumed for grant and subsidy purposes.

> "Output is expected to rise by about 1 per cent, and manufacturing output rather more rapidly. The outlook, in short, is for gradual recovery."

Subject to those consultations and to the contribution of our successful policy for increasing council house sales, we hope to be able to maintain activity on public housing construction and improvement at approximately the same level as this year.

There will be some reductions in the cash provision for some other capital programmes including those for water services, motorways and trunk roads, and certain local authority services. There has however been a substantial fall in tender prices. Because of this, there should be no significant impact on our published plans for water services, motorways and trunk roads.

Our cash provision will again allow continued growth in the National Health Service. More of the cost of the Health Services will be financed by contributions and charges. We will be increasing the Health Service contribution by 0.1 per cent. The full present range of exemptions from charging remains unchanged. Two out of every three prescriptions will continue to be provided free of charge. Where a charge is payable, it will be raised to £1.30.

There will also be increases in charges for dental and ophthalmic services. Further details will be placed in the Vote Office today and given in the official report by my Rt. Hon. Friend the Secretary of State for Social Services.

The increase in student grants for the next academic year will be 4 per cent, in line with the pay increases broadly envisaged for employees in the public services. The parental contribution scale will remain unchanged, but the minimum award will be kept at the present cash level.

I turn, now, to National Insurance and other Social Security payments. These benefits will be uprated in line with the forecast movement in prices from November 1981 to November 1982. As is customary, the announcement of the forecast of the movement of prices and the consequent changes in benefit rates will be made next spring.

The House will know that the increase in the RPI to November 1981 will probably be some 2 per cent higher than the 10 per cent increase allowed for when calculating this year's uprating. For retirement pensions and other long-term benefits, the shortfall will be made good in the November 1982 uprating. We shall thus continue to fulfil our pledge to retirement pensioners that they will be fully protected against inflation. In the case of the short-term benefits, however, next year's increase will be equal to the expected increase in the RPI over the next 12 months.

All in all, we are planning to spend very substantial extra sums of money next year on social security. The great bulk of this is on pensions, which alone will cost the Fund nearly £1.5bn more next year than this. Expenditure on other benefits and outgoings is also expected to increase, in part due to a further small rise in unemployment—an assumption which is reflected in the Government Actuary's Report. These increases, together with the slower rate of growth in contribution income, would mean that if we took no action on contributions, there would be substantial deficits in the National Insurance and Redundancy Funds. Those deficits must be financed. In addition, as I have said, we have decided to propose an increase of 0.1 per cent in the allocation to the NHS. The taxpayers contribution to the Fund—the so-called Treasury Supplement—will at the same time be reduced by 1½ per cent.

In view of the burdens of National Insurance on employers the Government think it right that the greater part of the increase in contributions should come from employees. It is, moreover, right that those in work should shoulder these additional costs. We therefore propose that the rate of contributions for employees should be raised by 1 per cent from the beginning of April next: it would then be 8.75 per cent of relevant earnings. There will be some increase for the self-employed. The percentage rate for employers will not be changed.

The lower earnings limit, which sets the starting point of the contributions, will be increased to £29.50 per week, in line with the single rate retirement pension. The upper earnings limit, which sets the ceiling up to which payments are made increased to £220 per week, within the normal criteria. The House will appreciate that, although the percentage rates charged to employers will not be changed, the cash amount which they pay in national insurance contributions and national insurance surcharge will rise in line with any increase in the wages and salaries which they pay, and also as a result of the increase in the upper earnings limit. The amount which employees pay in contributions will be similarly affected, as well as by changes in their contribution rates.

> "The administrative costs of central Government are not far short of 10 per cent of total public expenditure. We are determined to reduce that proportion."

The increase in contribution rates, as well as the decision to exempt employers from it, both in respect of the Redundancy Fund and in respect of National Insurance, will require legislation. My Rt. Hon Friend, the Secretary of State for Social Services, will give notice of the necessary Bill today. On presentation of the Bill tomorrow, he will lay before the House the Government Actuary's Report. He will also make available in the Vote Office today, and in the Official Report, a statement of the assumptions used by the Government Actuary, full details of the changes in rates and limits for all classes of contributors, including the self-employed, and a table showing a breakdown of total payments in 1982-83 compared with 1981-82.

I turn now to other areas where spending next year is to rise. The increases have been concentrated in four main areas — local government, nationalised industries, defence and employment measures.

Local authorities are likely to overspend substantially this year. We recognise that it would not be practicable to eliminate this overspend in a single year. We therefore propose to allow an increase in the programmes for local authority current expenditure in 1982-83 of some £1,350m. This will provide authorities with a reasonable target. They will still be required to make substantial economies.

My Rt Hon Friend the Secretary for the Environment proposes to provide a level of grant support for local authorities in England of 56 per cent. My Rt Hon Friends will be consulting local authorities about this and about commensurate provision in Scotland and Wales.

The nationalised industries total bids for increased external finance amounted to about £2½bn. This would have been in addition to the nearly £1½bn already provided in the plans. We have decided to allow them about half their new bids, some £1,300m in total. Nevertheless, if, as the Government and the House very clearly expect, they continue their drive to contain current costs, both by increasing efficiency and by making moderate pay settlements, they should be able to maintain their aggregate capital investment programme at much the same level as was envisaged in the plans published last March: a level 15 per cent higher in real terms than in 1980-81.

In order to enable us to carry through the policies set out in the June Defence White Paper we are increasing the provision for Defence next year by a further £480m. This includes the cost of carrying forward the 1981 Armed Forces pay award.

Improvements to the various special employment programmes were announced by my Rt Hon Friend the Prime Minister on July 27. These added some £650m to public expenditure next year. My Rt Hon Friend, the Secretary of State for Employment, will be making an announcement on further training measures in due course. In all, nearly £800m will be added to the employment programme next year, already planned at nearly £2bn. A substantial proportion of this additional spending will go to help the young unemployed.

I am circulating in the Official Report a summary of the changes for 1982-83 in the cash allocation to departments and in the external financing limits for nationalised industries. Full details of our new plans for 1982-83, and the two following years, will be set out in the public expenditure White Paper to be published at the time of the Budget.

I am sure the House will want an early opportunity to discuss the public expenditure plans I have announced this afternoon. I understand that my Rt Hon Friend, the Leader of the House, hopes to arrange a debate on this next week."

Back bench dismay at gloomy outlook for jobless total

BY IVOR OWEN

THE CHANCELLOR'S refusal to sanction public expenditure plans for the coming financial year of more than £115bn—£5bn above the total originally planned—was bitterly condemned from the Opposition benches, and strongly challenged by a number of Tory back benchers.

Sir Geoffrey answered complaints that he had failed to take the action needed to help the company sector by arguing that industry could itself contribute to stimulating increased demand, in home and overseas markets, by increased efficiency and by holding down the level of wage settlements.

His gloomy projection of living standards falling and unemployment rising—although at a slower pace—to more than 3m before starting to drop, clearly dismayed many Government supporters.

Mr Hal Miller (Con., Bromsgrove and Redditch) highlighted the unease on the Tory benches by underlining the fact that all the Chancellor had included in his statement were increased costs for industry and additional charges for those working in industry.

"Tell them what it is all for and what it will achieve," he pleaded. Sir Geoffrey replied that so far he had presented only half the balance-sheet—the rest would be revealed when he introduced his spring budget.

He then struck what some anxious Tories clearly regarded as an encouraging note by adding that he hoped then to "take us further in the right direction." Mr Michael Latham (Con., Melton), who wondered how it was possible for the Chancellor to be even remotely satisfied with the level of industrial capacity and demand, then asked if the public expenditure plans had been framed with a view to "further measures".

Sir Geoffrey refused to be drawn but pointed out that he would have a clearer picture of the year ahead by the time the Budget was introduced.

Mr Peter Shore, Labour's Shadow Chancellor, accused Sir Geoffrey of having reached a new low in 2½ years of "unique and spectacular failure" in managing the economy. The Chancellor's talk of "gradual recovery" merited the horse laugh it had received, he said.

"We would have to wait until 1990 before the national output of wealth by this country equalled what it was when he took over."

Mr Shore said that even on the basis of the optimistic assumptions made by the Treasury about the likely level of inflation, the expenditure plans announced by Sir Geoffrey amounted to no more than "a tiny increase."

In effect the plans amounted to an absolute cut yet again in real public spending, with all that meant in terms of the deflationary effects which had already been seen.

To Labour cheers Mr Shore demanded: "Will the Chancellor now at long last accept that the whole ghastly experiment which his monetarist policies have inflicted upon the country has been a disastrous failure."

Peter Shore

Sir Geoffrey replied that the best judgment at the present stage on the level of public expenditure next year was that it was likely to be the same as that in the current year, stated in cost terms.

He rejected Mr Shore's condemnation of the Government's economic policy and insisted that the public spending decisions he had announced were necessary to maintain the framework required for developing economic growth.

Mr Edward du Cann (Con, Taunton), chairman of the 1922 Committee of Tory back benchers, reminded the Chancellor of the need to bring "new hope" to the British

He suggested that the great resources of the Treasury and the Department of Industry should be mobilised behind the idea of facilitating a programme of public works, such as the Severn Barrage and the Channel Link, which could be financed from private sources.

Sir Geoffrey pointed out that there was likely to be an increase in investments by nationalised industries of some 15 per cent in real terms next year.

He emphasised that if the nationalised industries were to use private capital for investment projects it must be on terms which did not require them to pay more for borrowing than if the money had been obtained from the public sector.

Sir Ian Gilmour (Con, Amersham), a leading critic of the Government's economic policy who was recently dismissed from the Cabinet, challenged the Chancellor to explain how the effects of his statement in increasing living costs could be reconciled with the overriding priority attached to the defeat of inflation.

Sir Geoffrey answered that the increase in council house rents was likely to result in a 0.6 per cent rise in the retail price index.

Custer lives to fight another day

MPs WERE TAKEN on a magical mystery tour by the Chancellor as they desperately tried to get him to quantify the effect which his latest economic package will have during the coming year.

Sir Geoffrey's statement was punctuated by the usual self-righteous snorts of "disgraceful" from the Labour benches and there was the ritual chant of "resign, resign" as he sat down.

His declaration that the outlook is one of "gradual recovery" provoked particularly derisory laughter from the Opposition.

Mr Peter Shore, Labour's economic spokesman, fell over himself in his eagerness to blacken the Chancellor.

"Unique, spectacular failure . . . incompetence . . . sheer wanton damage," the words tumbled out.

With the growing backsliding of the monetary theorists—first Mr David Stockman in the U.S. and now our own Dr David Budd—appearances by the Treasury team in the Commons are beginning to resemble Custer's last stand.

Nevertheless, despite the anticipated criticism by Sir Ian Gilmour, there was some support from Tory back benches, and Sir William Clark, chairman of the Conservatice back bench finance committee, wanted him to go even further with a moratorium on recruitment to the nationalised industries.

Doggedly the Chancellor insisted that the Chancellor was not changing course. Suggestions of reflation seemed to send a shiver down his spine—"the very employment of the word is likely to increase the risks of higher inflation."

Mr Shore and others repeatedly pressed him to say what the real level of public spending would be next year.

Mr Shore said that if inflation ran at the Government's own prediction of 10 per cent then it would mean a very real cut in public expenditure.

This, replied the Chancellor warily, depended on many factors. If inflation was at 10 per cent and public sector pay was kept down to 4 per cent then spending next year should not be vastly different to this year in cost terms.

A strange chant of "TPI, TPI" regularly went up from puzzled MPs who wanted to know what the effect would be on the now neglected tax and prices index.

Alas, no light was shed on this murky subject.

There was a nice straightforward question from former Treasury minister Mr Terence Higgins (Con., Worthing): would the overall effect be to increase or decrease demand in 1982-83?

This threw the Chancellor into another fit of the um, ahs. If the question related to demand taken by itself then it could not be answered at this stage.

Mr Keith Speed (Con, Ashford) wanted to know the total on the costs of industry.

Answer: "I can't do that without notice. It would be very difficult."

There was, however, a slight glimmer of hope for Mr Hal Miller (Con, Bromsgrove and Redditch) who waspishly asked him to be more positive and explain exactly what the package was supposed to achieve.

This provoked the Chancellor into a slightly optimistic forecast that the next Budget would "take us further in the right direction."

In view of all this difficulty we have some free advice to offer to Sir Geoffrey:

Why not climb on the latest economic bandwagon and start measuring it in Mars bars. Then we could all understand it.

(Memo from News Editor: This FT obsession with Mars bars must cease. Staff members who mention them in future will have their sweetie allowance cut.)

John Hunt

Tory effort to boost training pay

By Elinor Goodman, Political Correspondent

A ROW was brewing at Westminster last night over plans to pitch the new training allowance for school leavers well below the amount paid to teenagers on the existing Youth Opportunities Programme.

A group of Tory MPs was hoping to see the Employment Secretary, Mr Norman Tebbit, to warn that this aspect of his promised new package could endanger the whole new training initiative, and to urge him to think again.

But the signs were that the Government has already made up its mind to fix the training allowance at £15 a week—£8.50 below the amount paid on YOP—and that it would be difficult to achieve any increase in the figure.

The new scheme, which still has to be agreed by the Cabinet, will offer all school leavers who do not go into a job or further education, the opportunity of some training for a year.

If they refuse the offer of a place, they will probably lose their entitlement to supplementary benefit and be regarded as their parents' financial responsibility for the first year after leaving school.

Earlier this year, a group of Tory MPs, including the former junior Employment Minister, Mr Jim Lester, drew up their own proposals for a new training package which would have offered school leavers two years of training and work experience, with the cost shared between the Government and employers.

Yesterday, the group was worried about both the proposal to pay participants in the new scheme less than is now available on YOP, and the Government's apparent determination effectively to make the scheme compulsory by withdrawing supplementary benefit from teenagers who refuse to take part.

Alliance seat dispute in Hackney

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

MR RONALD BROWN yesterday completed his transition to the Social Democrats, and immediately ran into local difficulties with Liberals in his constituency of Hackney South and Shoreditch.

In theory, because he has joined the party before the deadline of January 1, Mr Brown is, as a sitting SDP MP entitled to have first choice on his seat at the next General Election. But yesterday Mr Jeffrey Roberts, who fought the seat for the Liberals at the last election, said he was not prepared to stand down.

Even though the Liberals trailed a poor third in 1979, he claimed that there were many Liberal supporters in the constituency who would be "utterly disgusted" if he were to stand aside for the person he had been opposing for so long.

Mr. Brown, brother of Lord George Brown, one of the original supporters of the SDP, told his local party last week that he was leaving Labour after 17 years as their MP. Yesterday he formally announced that he was joining the SDP, becoming its 25th MP.

Mr Brown is the fifth Labour MP to leave the party in London where the far left is particularly well entrenched. He would almost certainly not have had any difficulty in getting re-selected as a Labour MP. But he has been fighting a running battel with the left in the London Labour Party for years.

Yesterday, in his letter of resignation to Mr Michael Foot, the Labour Party leader, he said there was now "an intolerance and viciousness" prevalent in the party that made "one ashamed to be associated with it."

The Labour Party he had joined, he claimed, now existed only in name. He said he had been very concerned at the state of the Labour Party generally, and particularly in London.

The ease with which people had been able to join the party, even when they had nothing in common with its political philosophy, had made it "inevitable that the party policy would become more and more a reflection of the Communist Party Manifesto."

British Shipbuilders loss 'falling'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

A FURTHER sharp reduction in losses of state-owned British Shipbuilders was forecast yesterday by Mr Robert Atkinson, the chairman, at a Commons committee hearing.

The trading loss for the year to March 31, 1983, should fall to around £10m from the 1981-82 target of £25m, with break-even or a slight profit being reached in 1983-84.

Last year, the trading loss came down from £110m to £41m. This was after crediting the Intervention Fund subsidy (used to balance costs with depressed world building prices) but before interest.

Asked when BS would next be able to pay a dividend, Mr Atkinson told the select committee on industry and trade the money should be available for a payment on government capital in 1984-85.

Mr Atkinson also complained strongly about lack of Government support as BS sought to develop a warship export strategy in the wake of UK defence cuts announced this June.

On the international front, he said the EEC was not doing enough to deal with Japanese competition through the formulation of a proper maritime policy. But he thought South Korea was now proving more of a competitive menace than Japan.

He said the shipbuilding operations of Korea, now with some of the world's finest yards, were "totally uncommercial and funded by the government." Even Japan was concerned by the growth in Korea, he said.

Asked about the final outcome of the controversial Polish order of 1977, when the UK shipbuilding industry was in dire straits, BS executives told the committee this had produced a total loss of £72.5m, including subsidies.

Just over a year ago, the figure was put at nearly £70m. The last ship in the 24-vessel order was delivered in 1979. This was before Mr Atkinson took on the job of chairman, but he said taking on the order on those terms was justifiable in view of the doubtful prospects for the industry then.

Mr Atkinson said the forecast cash requirements for 1982-83 was £125m (including Intervention Fund receipts) compared with a likely £150m this year, £176m last year, and £236m in 1979-80. The 1983-84 figure is £110m.

Following the defence review, BS was now eager to sell more warships abroad in competition with the West Germans, French, Dutch, and Italians. This meant working on cheaper vessels which would appeal to foreign buyers.

"We think we're being given a hard deal by the Government," he commented. BS had made strong protestations to the Navy and the Ministry of Defence to try to speed things up. But he added: "It seems we're dealing not with a movable feast, but with a movable famine."

N. Sea oil 'adds 1.6m to jobless'

By Martin Dickson, Energy Correspondent

UK manufacturing output by 1985 might be 26 per cent below what it would have been without the development of North Sea oil, which is also adding 1.6m to unemployment, the Commons select committee on energy was told yesterday.

The estimates came from Dr Terry Barker, of Cambridge Econometrics, the independent forecasting organisation. He was comparing computer predictions of the likely outcome of present policies with an alternative picture in which Britain had no oil, and sterling had been allowed to depreciate from 1977 to maintain international price competitiveness.

Other analysts had suggested a reduction in manufacturing output growth of just 9 per cent. Mr David Howell, the previous Energy Secretary, had argued that even this was too much.

Dr Barker said his figure of 26 per cent implied no growth at all in manufacturing between 1975 and 1985. The overall long-term growth of the economy with oil could be only 1.2 per cent a year from 1975 to 1985 compared to 2 per cent without oil.

The advantages of North Sea production were a rate of inflation at least 1.2 per cent a year lower than otherwise, and a faster but temporary growth in consumers' expenditure.

Dr Barker said his results depended critically on the Government's economic strategy over oil discoveries. Policies should have been thought out in advance to cope with the likely consequences of a rapid rise in oil production at a time of world energy crisis, so that the revenues could have been channelled to regenerate industry.

Whitelaw announces plan to build two new prisons

BY ELAINE WILLIAMS

MR WILLIAM WHITELAW, Home Secretary, yesterday announced plans to build two new prisons to help solve the long-term over-crowding problem in Britain's prisons. This brings the total number of new prisons to be built to eight.

The announcement comes on the eve of publication of the new Criminal Justice Bill which is expected to propose greater powers for courts to suspend part of a prison sentence for non-violent offenders.

Mr Whitelaw also announced plans to increase the number of probation officers by 150 in 1982-83, and increase spending on prison re-development. He also suggested the possibility of a new women's prison at Featherstone in Wolverhampton, as well as a local prison in Woolwich, London.

The two major prisons will be based at Bovingdon in Hertfordshire and Lockwood in Oxfordshire.

The Government plans expenditure of £44m over the next five years to create some 5,000 new prison places. In evidence given to a recent Parliamentary committee, an estimated £720m was said to be needed to bring prisons up to date.

In a strongly worded statement yesterday prison governors called for some kind of amnesty to reduce the crippling burden on the penal system.

Prison officers at Manchester's overcrowded Strangeways prison refused yesterday to take any further inmates on remand, or people convicted by magistrates, until the officers' demands for better facilities are met.

The Governors said "Governors, staff and prisoners are living and working in growing squalor as many prisons become festering slums."

The Home Office estimates that partially suspended sentences could reduce the current prison population of 43,900 by up to 4,000. However organisations such as the National Association for the Care and Resettlement of Offenders voice fears that the judiciary could use the new power to give people a taste of imprisonment, rather than non-custodial sentences.

It quotes unfavourable estimates that the new power could increase the prison population by up to 5,000.

Earlier this year Mr Whitelaw had been in favour of automatic parole for prisoners serving shorter sentences, but abandoned plans after opposition from the judiciary.

Labour motion seeks free pensioners' TV

MORE THAN 50 Labour MPs yesterday called on the Government to phase out, over a period of three years, television licence fees for all retirement pensioners.

After Tuesday's announcement of TV licence increases, a motion sponsored by Mr Ian Mikardo (Lab, Bethnal Green and Bow) points out that retirement pensioners are already suffering a cut in real incomes

Defence procurement policy 'easing'

BY LYNTON McLAIN

FURTHER CONFIRMATION that the Government is moving towards a more flexible policy for the procurement of defence equipment came yesterday in evidence from the Ministry of Defence to the Commons select committee on defence.

Mr B. E. Robson, the Assistant Under Secretary of State for operational requirements at the MoD told MPs that the Ministry hoped to become "less rigid" with specifications for potential suppliers of defence equipment, "instead of specifying each nut and bolt."

At an earlier meeting of the committee Sir David Cardwell, head of the Ministry of Defence's procurement executive said the Government would ask the defence industries to "play a major part in the decision-making process" which is involved in procuring equipment for Britain's armed forces, and for export.

Mr Robson developed the theme by explaining that "in the past our standards and specifications have generally been too rigid" for the staff targets sent to industry for specific projects.

"It is in our own interests not to over-specify, when deciding on new equipment," he said. Contacts with industry were being developed further and last month the MoD had given a detailed presentation to 140 industrialists about a new "air staff target" for a new fighter aircraft.

Continuing economic recovery in 1982 forecast

IN A statement issued after the Chancellor sat down, the Treasury said: The Industry Act (1975) requires the Government to publish economic forecasts twice a year. This notice reviews economic developments so far this year and outlines the prospects for 1982.

Summary

In the world economy, attempts to contain the inflationary impulses from the second major oil shock of the decade are restraining activity in many industrialised countries. The United Kingdom, with particularly deep-seated problems of high inflation and low productivity growth, is making painful adjustments—through lower wage settlements and higher unemployment—in a highly competitive environment.

The rise in sterling was one of the causes of the rapid fall in inflation which began in mid-1980. The fall in the exchange rate earlier this year has interrupted progress but slower increases in pay together with productivity improvements point to further falls in cost and price inflation in the course of 1982.

After the fall in output in 1980 and the first half of 1981, there are signs that recovery began in the summer of this year. Further growth of output is forecast for 1982.

Recent economic developments

A year ago, and at the time of the 1981 budget, government forecasts showed UK output levelling out and then recovering slowly by the end of 1981; while inflation was expected to fall substantially from its 1980 level. These expectations have been broadly fulfilled.

The world economy: 1980 was a year of very slow growth in the world economy, with unemployment rising and inflation high. This year has seen the maintenance of generally tight monetary and fiscal policies including very high nominal and real interest rates, and while inflation (the rise of consumer prices in the major economies) has come down from 12 per cent in 1980 to about 10 per cent in 1981, this has been accompanied by depressed output in many countries, and by substantial increases in unemployment.

As usual at this stage of the economic cycle, commodity prices have weakened relative to prices of manufactures, and contributed to the increasing deficits of many developing countries. The volume of world trade may now be rising slowly. The table below shows how recent years compared to earlier periods in world economic development.

The UK economy

The exchange rate in September/October was 13 per cent below the average for the first quarter of 1981 and at about the same level as in mid-1979. Import prices, measured by average values in sterling terms, rose 7 per cent between the first quarter of 1981 and the September/October level—a modest rise in relation to exchange rate and overseas price movements, reflecting both weak commodity prices and a reduction in margins on imported manufactured goods.

Higher import prices have three main effects: directly on prices in the UK; indirectly through the higher costs of UK producers; and the lessening of the downward pressures on the prices of all goods and services sold in the UK in competition with imports. Partly in consequence, there has been no further fall in the rate of inflation in recent months.

Companies' inability to pass on higher costs into prices together with the fall in activity contributed to a large fall in the level of wage settlements. The underlying increase in average earnings in the year to September, at about 11 per cent, was broadly comparable to the average of other countries, after years in which the increase had been well above that of most other countries. These movements, together with the change in the exchange rate, imply that competitiveness, as measured by relative unit labour costs, has improved over 10 per cent this year; but remains 35-40 per cent worse than in 1975, a deterioration mainly attributable to the higher rate of increase in UK unit labour costs relative to the UK's competitors.

There has been a modest recovery in company profits, which are estimated to have risen in aggregate 8 per cent between the second half of 1980 and the first half of 1981. Non-North Sea profits of industrial and commercial companies have however remained broadly flat since mid-1980: and the rate of return on capital remains very low, having fallen from 9 per cent in 1970 to 3 per cent in 1980.

With companies cutting their expenditure, above all on stocks (destocking by industrial and commercial companies in 1980 and the first half of 1981 amounted to £6bn), they succeeded in moving from a position of heavy overall borrowing in 1979 and early 1980 to a net repayment debt in early 1981. Over the three years to 1980, the personal sector's real disposable income increased by 17 per cent. But by mid-1981 the shift of real income towards consumers and away from companies was being reversed.

After the rapid fall in activity during 1980, especially in manufacturing, there was a much smaller fall in the early part of 1981. Preliminary estimates for the third quarter suggest a 2 per cent increase in manufacturing output (stock adjusted) with a particularly strong rise in chemical production, and a rise in the total output of the economy. A recovery in activity has been suggested over the past year by the responses to the output question in the regular surveys undertaken by the Confederation of British Industry.

The second column suggests that, as the level of stocks has been substantially reduced and expectations of output recovery strengthened, the desire to reduce stocks has steadily declined. The third quarter estimates of stockbuilding are consistent with this.

The last column indicates an improvement in export orders a trend also evident in the Department of Industry's series for export orders in engineering. But the rises in interest rates in September and October, reflected in a lower level of business optimism in some recent surveys, suggest a cautious interpretation.

The early stages of a recovery in industrial output have been accompanied, as usual, by a sharp fall in short-time, and a recovery in overtime, with average hours worked increasing by about 3 per cent in manufacturing between the end of 1980 and the summer of 1981—and by a continuing, though much slower, rise in unemployment.

In manufacturing, there has been little change in total hours worked since the beginning of this year—the rise in the average hours offsetting the fall in employment. Productivity has been better than would have been expected on the basis of past experience: output per man hour in manufacturing rose 7 per cent between the fourth quarter of 1980 and the third quarter of 1981.

Over the 12 months to banking October, M1 grew by a little under 10 per cent the wide measure of private sector liquidity, PSL2, by 13 per cent, and £M3 by over 15 per cent. The Civil Service dispute has served to raise the growth of most, if not all, monetary aggregates this year, with probably the greatest impact on £M3. The PSBR for the year as a whole appears to be in line with the Budget forecast of £10½bn.

The growth in bank lending, especially to the personal sector, has been very rapid so far this year: to some extent this reflects a move by the banks into the housing market. Other factors influencing the demand for money in 1981-82 include the rise in nominal incomes, at around 10 per cent. The recorded figures for the February 1981 to April 1982 target period, which will be raised by the strike and by the banks' gain in market share, may be somewhat above the top of the target range, though interpretation of recent movements has been made very difficult by the distortions arising from the effects of the Civil Service dispute.

Economic prospects

Assumptions—This forecast takes full account of the decisions on public expenditure and on employees' National Insurance contribution rates announced by the Chancellor on December 2. A conventional assumption is made that income tax thresholds and allowances and the rates of specific duties will be raised by 12 per cent in the 1982 Budget, in line with the expected rate of increase in the RPI over the year to the fourth quarter of 1981.

Interest rates are, in practice, determined by a number of factors, set out in the 1981 Budget Statement. These include all the monetary aggregates and the exchange rate. This forecast is constructed on the assumption that the growth of £M3 in 1982-83 will be at the top end of the 5-9 per cent range set out in the MTFS last March, and that the exchange rate will remain constant against a weighted average of other currencies, at the level in November 1981.

The world economy and UK trade—Output in the main industrial countries may recover over the next year. The upswing is likely to be no more than moderate by past standards—perhaps 1½-2 per cent—and unemployment is liable to increase further in many countries. The nature of the forecast recovery reflects the slow progress in reducing inflation against a background of firm policies.

There has been little, if any, rise in overall world trade in 1981. In 1982, the modest recovery in output, the growth in OPEC markets and the usual tendency for trade in manufactures to rise faster than trade in total, suggest that world trade in manufactures (weighted by the UK share of markets) could expand by 4-5 per cent.

Judgments about the course of UK trade in 1981 have been obscured by the Civil Service dispute and the September and October trade figures are extremely difficult to interpret. Export volumes have held up well since the early part of the year, in difficult circumstances. The rise in import volumes in September/October is consistent with a much reduced rate of destocking, and with a rise in output, in the second half of 1981.

Over the next year, the volume of exports can be expected to rise, as foreshadowed in recent surveys. As output rises next year, with stocks no longer being reduced, further rises in import volumes are in prospect. The current account of the balance of payments should continue to run a sizeable surplus into 1982 though at a lower rate than in late 1980 and early 1981 when the import level was exceptionally low.

Inflation: The rate of inflation is inevitably being affected by the turnaround in sterling that took place earlier this year, though there is tentative evidence from the latest trade figures that some of the impact is falling on importers' margins. Once this has finished feeding through into final prices, however, and provided there is a continued slowdown in the rise in domestic unit costs, a further fall in the inflation rate is in prospect: over the year to the fourth quarter of 1982, the RPI is forecast to rise 10 per cent.

Profit margins—as measured by the movement of prices over actual costs—should continue to improve over the next year. With the exchange rate lower than at the start of 1981 and firms continuing to make productivity gains they should be able to retain higher profits.

Nonetheless, an exchange rate still high in real terms by comparison with the period before 1980 will continue to limit firms' ability both to raise prices, and to incur higher costs. The competitive pressures in the private sector, and the influence of cash constraints in the public services, should combine to bring about another substantial fall in the level of wage settlements and earnings growth over the next year. The share of company profits, net of North Sea oil, in total domestic incomes should show a considerable recovery in 1982.

Domestic demand and activity: After an increase of 17 per cent between 1977 and 1980, the personal sector's real income after tax is now lower, by over 3 per cent in the second half of 1981, than a year earlier, as a result of the fall in wage settlements relative to prices, and the rises earlier this year in taxation and National Insurance Contribution rates.

A further fall in after tax real income is forecast, but the level of personal consumption may remain steady with a continuing fall in the saving ratio influenced partly by the further decline in inflation.

The company sector's real income after tax should show some recovery over the next year, after the sharp fall during 1980, as a result of some improvement in profit margins from the low levels reached in 1980 and early 1981. This recovery in income, together with a better prospect for demand, should ease the financial pressures on companies to reduce stocks. Indeed, there could be a small increase in stocks next year (see Table 2).

In the second half of 1980 and the first half of 1981 companies' sales were being met, in part, from running down stocks as well as from current production. By 1982, on this forecast, all sales will be met from current production, and none—in aggregate—from destocking.

The stock/output ratio in manufacturing had fallen back sharply by the third quarter of 1981: this forecast implies a stock/output ratio in 1982 close to the average for the period 1975-79.

Fixed investment, outside general government, should also see some recovery in 1982 after a fall up to the first half of 1981. In industry, a moderate recovery was suggested for both manufacturing and distribution by the Department of Industry's May survey of investment intentions. Private housing starts are higher than a year ago, and there may be some rise in investment — which is measured by sales — over the next year.

In total, domestic demand is forecast to recover by over 1½ per cent between the second halves of 1981 and 1982. With imports again tending to rise faster than exports, the prospect for domestic output, consistent with the rise predicted for profitability, is one of moderate recovery which will help to limit the rise in unemployment. Manufacturing output, which fell particularly sharply in relation to total output up to the end of 1980, may now recover rather more sharply than total output. The table below sets out half yearly paths for total output, and for manufacturing output. These forecasts are close to those published in November 1980 and in March 1981.

Government borrowing: In the first half of 1981-82 the PSBR was £9½bn, seasonally adjusted. The best estimate is that, in the absence of the Civil Service dispute, it would have been about half this figure; and much smaller than in the first half of the previous financial year.

The trends in revenue and the PSBR this year are being obscured by the effects of the dispute, but it seems that the PSBR for the year as a whole may turn out near to the budget estimate of £10.5bn, or 4 per cent of GDP at current market prices. This represents a substantial fall from nearly 6 per cent in 1980-81.

Next financial year, 1982-83, the public expenditure planning total is expected to be about £115bn. On the basis of the conventional assumptions that thresholds, allowances and specific duties are raised in line with inflation, general government receipts should rise faster than expenditure next year, against the background of money GDP forecast to rise 11 per cent.

On this basis, and on the assumptions already stated, decisions on public expenditure point to a PSBR next year broadly in line with the projections published at the time of the last budget. But experience shows that estimates of the PSBR are liable to substantial margins of error.

Risks and uncertainties: The summary table includes averages of past errors from internal Treasury forecasts over the past 10-15 years. The particular average shown in the table is the average absolute error. An analysis of errors in the first six Industry Act Forecasts was published in the Economic Progress Report for June 1981.

On this occasion, and because of the absence of trade statistics for much of 1981 because of the Civil Service dispute, the forecast of the balance of payments is subject to a larger margin of error than usual.

The current account balance is the difference between inflows and outflows, each of which approach £100bn. The distortions of recent borrowing and money supply figures also make interpretation more hazardous than usual.

Forecasts of Expenditure, Imports and GDP

£m at 1975 prices, seasonally adjusted.

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1975=100
1979	71,400	23,850	3,350	27,200	17,550	33,050	1,500	150,700	35,300	12,400	650	103,650	109.9
1980	71,450	24,450	2,950	27,400	17,850	33,300	−2,000	148,000	34,150	12,450	−50	101,350	107.5
1981	71,650	24,450	2,300	26,750	17,400	31,450	−2,300	144,950	32,750	12,100	−950	99,150	105.2
1982	71,700	24,550	2,200	26,750	17,850	32,200	300	148,800	35,600	12,400	−600	100,200	106.4
1980 First half	35,800	12,150	1,550	13,700	9,050	16,950	−590	75,000	17,800	6,200	300	51,300	108.8
Second half	35,650	12,300	1,400	13,700	8,800	16,350	−1,500	73,000	16,350	6,250	−350	50,050	106.2
1981 First half	35,900	12,200	1,200	13,400	8,550	15,700	−1,800	71,750	15,700	6,100	−500	49,450	105.0
Second half	35,750	12,250	1,100	13,350	8,850	15,750	−500	73,200	17,050	6,000	−450	49,700	105.5
1982 First half	35,850	12,250	1,100	13,350	8,900	15,950	100	74,150	17,650	6,200	−350	49,950	106.1
Second half	35,850	12,300	1,100	13,400	8,950	16,250	200	74,650	17,950	6,200	−250	50,250	106.7
ANNUAL PERCENTAGE CHANGES													
1979 to 1980	0	2½	−12	0½	1½	1		−2	−3½	0½		−2	
1980 to 1981	0	0	−21½	−2	−2½	−5½		−2	−4	−3		−2	
1981 to 1982	0	0½	−5	0	2½	2½		2½	8½	2½		1	

Notes:
1 GDP figures in the table are based on "compromise" estimates of gross domestic product.
2 Figures in £m are rounded to £50m. Percentage changes are calculated from unrounded levels and then rounded to ½ per cent. The GDP index in the final column is calculated from unrounded numbers.
3 Data on exports and imports for the first half of 1981 are based on very partial information.

Economic prospects for 1982

	Percentage changes 1980 to 1981	1981 to 1982	Average errors from forecasts, relevant for 1982 per cent
A—OUTPUT & EXPENDITURE AT CONSTANT 1975 PRICES			
Gross domestic product at factor cost)	−2	1	1½
Consumers' expenditure	0	0	1½
General government expenditure on consumption and investment	−2	0	1½
Other fixed investment	−2½	2½	3
Export of goods and services	−5½†	2½†	3†
Change in rate of stockbuilding as a percentage of level of GDP	−0½	2½	1
Imports of goods and services	−4†	8½†	2½†
	1981 £bn	1982 £bn	£bn
B—BALANCE OF PAYMENTS ON CURRENT ACCOUNT	6†	3†	2½†
	Percentage changes 4th qtr. 1980 to 4th qtr. 1981	4th qtr. 1981 to 4th qtr. 1982	per cent
C—RETAIL PRICES INDEX	12	10	3

† The uncertainties caused by the absence of trade statistics for part of 1981 imply that the estimates and forecasts of trade and the current account are particularly uncertain in this forecast.

The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on Government forecasts, notably in November 1978 (see Economic Progress Report Supplement, or Economic Trends No. 301, November 1978, and Economic Progress Report, June 1981). The calculations for the constant price variables are now derived from internal forecasts made during the period June 1965 to October 1979. For the current balance and the retail prices index, forecasts made between June 1970 and October 1979 are used. The errors are after adjustment for the effects of major changes in fiscal policy, where excluded from the forecast. Quarterly forecasts are grouped so as to be comparable with changes between calendar years as shown. Thus for forecasts of constant price variables and the current account made in quarter 0 the errors relate to the forecast period (quarters 1 to 4) compared with the base year (quarters −3 to 0). For the retail prices index the margin relates to the percentage change between quarter 0 and quarter 4.

World economic development

Annual percentage changes

	1964-1973	1973-1979	1980	1981 (partly forecast)
GNP in major 7 countries	5	3	1	1
Consumer prices	4½	9½	12	10
World trade in manufacturing (weighted by the pattern of UK markets)	10	5½	5	2

Responses to CBI surveys

BALANCE OF UPS OVER DOWNS, PERCENTAGES

	Trend in Output Volume over next four months	Present Stocks of finished goods too high	Volume of new orders over next four months	New export orders over next few months
1980 July	−41	36	−47	−35
October	−31	33	−32	−17
1981 January	−16	31	−17	−10
April	−4	26	−2	1
July	1	20	+4	9
October	0	17	+2	11

Half yearly paths for output

1975=100

	1980 I	1980 II	1981 I	1981 II	1982 I	1982 II
GDP	109	106	105	105½	106	106½
Manufacturing output (stock-adjusted)	99	90½	87½	90½	92	93

Review adds £5bn to planned 1982-3 public expenditure

AFTER THE Chancellor's Commons statement the Treasury said: This note summarises the main public expenditure decisions which have been taken for 1982-83. They are in cash. (In a few cases, expenditure is on an accruals basis.) They will be set out in full, along with the planning figures for 1983-84 and 1984-85, in the next Public Expenditure White Paper to be published at the time of the Budget.

Starting Point

The Government's earlier plans for expenditure in 1982-83 set out in the last Public Expenditure White Paper (Cmnd 8175) were expressed in "1980 survey prices," that is, broadly the prices ruling in the autumn of 1979. To establish a starting point for this year's survey just concluded, those last White Paper plans were revalued to express the plans in cash.

For this revaluation a general factor of 9 per cent was used for the increase in prices other than public services pay between 1981-82 and 1982-83, and for public services pay a factor of 4 per cent from the next settlement dates. Adjustments were also used to allow for certain changes which do not affect the PSBR, notably additional external finance for the British Gas Corporation to allow for the Gas Levy and for certain minor classification changes. This produced a total of £110bn, as shown in Table 1.

Decisions

It has been decided that the cash to be made available for programmes in 1982-83 should be as shown in Table 2.

The proposed external financing limits for the nationalised industries in 1982-83 are listed in Table 3.

Planning Total

For programmes which depend on economic assumptions such as the level of unemployment (the main such programmes are marked with a * in Table 2), the revised figures for individual programmes have been constructed on the basis of the economic assumptions used in the last White Paper.

New assumptions for the next White Paper will be decided nearer the time of publication, and an appropriate adjustment made to those programmes. The size of the Contingency Reserve and the provision for asset sales will also be determined later.

These decisions will determine the exact size of the planning total to be included in the next White Paper.

In the meantime a single global allowance has been made for the effects of these adjustments, for the Contingency Reserve, and for asset sales. This results in an estimate of the planning total of about £115bn.

Some further background to the figures for 1982-83 in Tables 2 and 3 is as follows. All references to increases and decreases relate to the changes between the revalued plans (for 1982-83) in the last White Paper (the second column of Table 2) and the present plans (the third column), except where otherwise specified.

Local authority current expenditure

The Government proposes to set the provision for 1982-83 at a reasonable level in relation to this year's expenditure, by increasing the plans by £1.35bn. Substantial economies will be required, since this would allow local authorities only about 2 per cent more cash spending than their latest budgets for this year.

At the same time, the Government is proposing a reduction in the rate support grant of 3 percentage points (to 56 per cent) in England with commensurate reductions in Scotland and Wales. The local authority associations will be consulted about the provision for 1982-83, and about the level of grant support, before the rate support grant settlements for England, Scotland and Wales.

The proposed increase in provision is reflected in the plans for individual Departments in Table 2.

Local authority capital expenditure

It has been necessary to make some reductions in the cash provision for local authority capital expenditure. Details will be announced in due course.

Present indications are that local authorities are underspending in 1981-82 and if this is confirmed the reduced plans for 1982-83 will still provide for an increase in activity between the two years.

These reductions are reflected in the plans for individual departments in Table 2.

Defence

The provision of £14,103m for 1982-83 is in line with the Government's policies set out in the June Defence White Paper (Cmnd 8288). (As announced in a Written Answer yesterday, the defence cash limit for 1981-82 has also been increased.)

Foreign and Commonwealth Office (including Overseas Development Administration)

The main components in these figures are the net overseas aid programme and the cost of the Diplomatic Service.

Intervention Board for Agricultural Produce

The increase reflects revised estimates of the cost of implementing European Community agricultural support measures.

Ministry of Agriculture, Fisheries and Food

The revised programme provides for an increase of £35m for the payment of hill livestock compensatory allowances and for expenditure of £4m for a further year of temporary adaptation aid to help glasshouse growers meet their fuel costs.

Other increases arise from revised estimates of the costs of support for the agriculture and fishing industries. Partly offsetting savings are being found by planned economies in current and capital expenditure.

Forestry Commission

The reduction will be mainly achieved by reduced expenditure on planting, land acquisition and vehicles and machinery.

Department of Industry

The main cause of the reduction is estimating changes, principally in demand-determined expenditure.

Department of Energy

The estimated cost of redundancy payments to miners has risen by £25m following the improvement in redundancy terms agreed in March. Reductions of £23m have been agreed in research and development and departmental administration and consultancies.

Department of Trade

Increases in some services are more than offset by planned staff reductions and other savings.

Export Credits Guarantee Department

The small net increase reflects revised estimates of interest support costs for fixed rate export credit and of repayments and transfers of export credits refinanced by the Government.

Savings of £25m arise from the recent international agreement to increase minimum export credit interest rates.

Department of Employment

Special employment and training measures are a major part of this programme. The increased provision for these measures announced in July totalled £648m. In addition, estimated expenditure on redundancy payments has risen by £135m.

CONTINUED ON NEXT PAGE

TABLE 1

Forecast of price rises

	1981-82 £bn	1982-83 £bn
1. Cmnd 8175 at 1980 Survey Prices	79.5*	77.9
2. (1) Revalued to cash	104½*†	109½†
3. Adjustments for PSBR—neutral changes	½	½
4. Starting point for the Survey	105	110

* Including Budget changes. † Including minor classification changes, etc.

TABLE 2

Public expenditure plans

	1981-82 White Paper† £m	1982-83 White Paper† £m	1982-83 Revised programme £m
1 Departments (excluding nationalised industries' external finance):			
Ministry of Defence	12,270	13,624	14,103
Foreign and Commonwealth Office (including Overseas Development Administration)	1,556	1,575	1,565
European Community	460	501	587
Intervention Board for Agricultural Produce	530	593	664
Ministry of Agriculture Fisheries and Food	962	976	1,031
Forestry Commission	59	64	62
Department of Industry	1,970	1,460	1,393
Department of Energy	354	385	387
Department of Trade	287	302	292
Exports Credits Guarantee Department	4	89	115*
Department of Employment	2,320	1,911	2,688
Department of Transport	2,880	3,036	3,166
DOE—Housing	4,125	3,869	3,871*
DOE—Property Services Agency	439	453	444
DOE—Other Environment Services	3,546	3,669	3,661
Home Office	3,263	3,529	363
Department of Education and Science	11,315	11,667	12,216
Office of Arts and Libraries	475	500	532
DHSS—Health	10,793	11,613	11,650
DHSS—Personal Social Services	1,657	1,788	1,970
DHSS—Social Security	27,575	30,197	29,900*
Scotland	5,621	5,855	5,956
Wales	2,240	2,326	2,375
Northern Ireland	3,223	3,419	3,510
Other Departments	2,907	3,111	3,121
2 Nationalised industries' total external finance	2,924	1,470	2,770
3 Total programmes rounded)	103,750	107,980	111,670
4 Contingency reserve	2,500	2,850	
5 Special sales of assets	−230	−180	say
6 General allowance for underspend	−1,000	−700	3,300‡
7 Planning total rounded)	105,000	110,000	say 115,000

Notes:
* Subject to adjustment for revised economic assumptions. See paragraph 6.
† Plans in White Paper (Cmnd 8175) revalued and adjusted for Budget changes (1981-82 only), certain changes not affecting the PSBR, and minor classification changes.
‡ To be determined later. For the present includes allowance for effect on programmes of possible revised economic assumptions (see paragraph 6).

TABLE 3

National industry external financing limits

	1982-83 Proposed provision £m
National Coal Board	1,026
Electricity Supply Industry (England and Wales)	−319
British Gas Corporation	−2†
British National Oil Corporation‡	−85
British Steel Corporation	350§
British Telecom	340¶
Post Office and National Girobank	−25
British Shipbuilders	125§
British Airways	−9
British Airports Authority	48
British Railways Board	950
British Transport Docks Board	−7
National Freight Company	n.a.‖
National Bus Company	71
British Waterways Board	40
North of Scotland Hydro-Electric Board	47
South of Scotland Electricity Board	198
Scottish Transport Group	21
	2,770

Notes to Table 3:
* Included in line 6 of Table 2.
† Estimated effects of gas levy payments on BGC's cash flow of £430m have been taken into account in setting BGC's EFL for 1982-83.
‡ As in previous years, the figure for BNOC is a forecast and does not represent a limit.
§ Provisional: to be determined after consideration of the industry's Corporate Plan.
¶ The Government has indicated that it will increase British Telecom's EFL if agreement is reached on a bond for 1982-83.
‖ The Government intends to sell all the shares in the National Freight Company during 1981-82, and in view of this no figure for the Company has been included.

SOCIAL SECURITY

Short-term benefits are trimmed

THE GOVERNMENT'S attitude to social security payments outlined by the Chancellor's statement reflects the Prime Minister's personal commitment to maintain the real value of pensions. But the purchasing power of payments to the unemployed and those on short term benefit will fall over the next year.

A shortfall in the real value of old age pensions and long term benefits—which account for 60 per cent of total social security spending—during the next 12 months will be compensated for by an extra increase next November. Short-term benefits—unemployment, sickness and short-term earnings related benefits—will not have the same adjustments and therefore their recipients will see a real long-term fall in the value of benefit.

Sir Geoffrey said the 2 per cent shortfal lin the value of pensions over the past year would be compensated for in the case of long-term benefits in the November 1982 uprating of payments. The shortfall was caused by differences between the estimated rise of 10 per cent in the retail price index made last year and the actual increase of 12 per cent in the 12 months to November.

Short-term benefits, however, would be increased only by the expected rise in the RPI during the next 12 months. The Government says the additional cost of pensions next year will be nearly £1.5bn.

Expenditure on unemployment benefit is expected to go up according to the Government because of a further small rise in unemployment.

● National Health Service charges for prescriptions, dental treatment and spectacle lenses are to be increased in April by more than the assumed rate of inflation, although the Government remains committed to keeping prescription charges in particular at below their true cost.

Health Service prescription charges are to go up to £1.30 from £1.00 and the annual prepayment certificate for prescriptions to £20 from £15. The maximum charge for a course of routine dental treatment will go up to £13 from £9 and for other treatment to £90 from £60. The maximum charge for spectacle lenses will be increased from £8.30 to £15 per lens.

Gareth Griffiths

EXTERNAL FINANCING LIMITS

State industries unhappy at borrowing cut

THE ANNUAL battle between the Government and nationalised industries over external financing limits surfaced again yesterday when Sir Geoffrey Howe announced the results of weeks of behind-the-scenes haggling between the industries, the Treasury and other Whitehall departments.

The Chancellor presented the limits for 1982-83 in a way which showed he had successfully persuaded the industries to curb their demands, but had nevertheless allowed them a total of £1.3bn more than had been provisionally allocated.

Industries' chairmen, however, have a different view of the figures and believe the Chancellor has in fact cut their limits by a total of £150m — or as much as £500m to £600m if special factors affecting British Gas are taken into account.

Most individual industries have had their hoped for allocations cut back and last night British Telecom was the only one to be openly pleased with its figure of £340m. And this may rise by about £100m or more if it managed to agree with the Treasury on floating a BT Bond worth £150m (possibly in two stages) during the coming months.

The most openly unhappy was the Post Office and National Giro (now separated from British Telecom) which said it was "very disappointed" that it was going to have to give the Government £25m instead of receiving funds (possibly as much as £75m) to help it modernise post offices and postal equipment.

External financing limits are the nationalised industries' version of the cash limits used in other parts of the public sector. They control how much the industries can borrow and are seen by the Government as a key financial and managerial control, directly linked to the PSBR. Although each industry's limit is small compared with its overall business, it controls a key element in the industry's finances and so is the source of continual haggling.

Sir Geoffrey Howe said yesterday that the industries had asked for about £2.5bn extra to be added in 1982-83 to the £1.47bn that had been provisionally allocated a year ago. He said only about half this increase—£1.3bn—was being allowed, so the total for 1982-83 would be £2.77bn.

He said that the industries should be able to live with these figures without having to cut their investment programmes providing they continued their "drive to contain current costs, both by increasing efficiency and by making moderate pay settlements."

No precise figure for pay rises has been forced on the industries but the Government clearly hopes they will all get as near as possible to the 4 per cent target set for the public services. Many will settle above this figure, the precise amount depending to a large extent on the bargaining power of individual groups—like the miners.

So Sir Geoffrey is arguing that it is up to the industries themselves to arrange their affairs so as to offset the amount by which their original bids were reduced.

Some industries put in high bids, rather in the style of a trade union pay claim, knowing they will be cut back, while others put in bids that are not much more than they actually want.

It is therefore difficult to interpret the significance of Sir Geoffrey's alleged reduction of half the total extra asked for, especially since the Treasury refuses to publish figures for individual bids. Individual industries are also usually reluctant to reveal them.. But the industries chairmen are likely to argue that Sir Geoffrey has cut them back far more than he is admitting.

The industries acknowledge that the figures show an increase over the originally envisaged £1.3bn. But they say the total of £2.77bn should not be compared with that estimate which last year was based on the wholly unrealistic expectation that the industries would become self-financing within a couple of years.

The chairmen would rather compare the £2.77bn with the current limits total which, when converted into 1982-83 figures, is £2.9bn. Therefore, the chairmen argue, they are being allowed £150m less next year, not £1.3bn more and that reduction of £150m grows to £500m-£600m if the implications of the British Gas levy is taken into account.

So several industries were far from happy last night. They included British Rail, which has special problems, and British Gas which is likely to have to prune its investment programme of about £850m by some £50m next year.

The electricity supply industry will also have to trim its programme, having finished up about £300m short of what it had hoped to achieve.

The National Coal Board has the largest of all the limits, but still feels its figure will prove to be tight. Much depends on the outcome of the current miners' pay negotiations, but the board does not expect to have to cut back on its large capital investment programme.

The future of its pit closure programme however is far from clear. This programme led to the current year's limit being raised from £882m to £1,117m after the miners' dispute early this year. Pressure may now mount again for further closures.

Final figures for British Steel and British Shipbuilders will depend on the corporate plans they eventually agree with the Industry Department. British Steel's provisional £350m figure announced yesterday is roughly half its existing 1981-82 limit. This cut partly reflects improvements in the financial performance of the industry, whose half year results were announced yesterday.

British Shipbuilders' final figure will depend on how much aid it is allocated by the Industry Department for individual ship orders through its intervention fund. This year the fund stands at £45m but will be reduced next year.

British Airways' limit has dropped sharply to a negative figure, partly because it will be raising funds in the coming year from disposals of assets sales and staff cut-backs. The British Airports Authority's limit has gone up to help it fund large-scale airport developments.

John Elliott

NATIONAL INDUSTRIES' EXTERNAL FINANCING LIMITS

National Coal Board	£1.12bn	£1.02bn
Electricity Supply Industry England and Wales)	−£210m	−£319m
North of Scotland Hydro-Electric Board	£32m	£47m
South of Scotland Electricity Board	£77m	£198m
British Gas Corporation	−£390m	−£2m†
British National Oil Corporation	−£220m	−£85m
Post Office and National Girobank	£16m	−£25m
British Telecom	£380m	£340m*
British Airways	£101m	−£9m
British Airports Authority	£14m	£48m
British Railways Board	£920m	£950m
British Transport Docks Board	−£5m	−£7m
British Waterways Board	£32m	£40m
National Bus Company	£75m	£71m
Scottish Transport Group	£17m	£21m
British Shipbuilders	£150m	£152m‡
British Steel	£730m	£350m‡

* This may be increased if a BT Bond is issued.
† Effects of gas levy payments taken into account.
‡ Provisional figures.

Continued from previous page

Spending review

The total also includes provision for the further training measures to be announced by the Secretary of State for Employment. There are some partly offsetting savings, details of which will be announced in due course.

Department of Transport

The increased provision includes higher local authority current spending (but not to cover the full extent of cheap fares policies) and continued support to the ports of London and Liverpool.

As a partial offset local capital spending is reduced. Because of a significant fall in road tender prices between 1980-81 and 1981-82 it has also proved possible to make a reduction in planned provision for motorways and trunk roads without significant effect on existing plans, such as the completion of the M25 and the Armitage bypass schemes.

Department of Environment-Housing

The programme mainly covers housing subsidies (to both local authorities and individuals) and capital investment. There is no significant change in the total.

Consultations are beginning on the rent assumption and the increase in local contribution to housing costs for Rate Support Grant and subsidy purposes respectively. Subject to those consultations and to a continuing increase in council house sales, actively on public housing construction and improvement should be maintained at approximately the same level as this year.

Property Services Agency

The reduction is expected to be found mainly through increased receipts from disposals of property but also by savings on running costs.

Department of the Environment: Other environmental services

Over half of this programme is local authority current expenditure and reflects the increase mentioned in the second paragraph. There are reductions in other items, including capital expenditure by local authorities and by Regional Water Authorities.

The authorities are benefiting from the fall in construction tender prices between 1980-81 and 1981-82 which has meant that more work can be done for the money available. Details of the reductions in provision will be given in due course.

Home Office

The continuing emphasis on the fight against crime is reflected in the net increase. This is mostly for the police, but there is also additional provision for prisons.

Department of Education and Science

Most of the education programme is a local authority activity and provision for it therefore reflects the increase in local authority current expenditure mentioned in the second paragraph, including the extra £50m announced in July for 16-19 year-olds staying on in full-time education.

The only other significant change is that student awards will be constrained to a 4 per cent increase at their next revision. The parental contribution scale will be unchanged, but the minimum award will be kept at its present cash value. The Secretary of State for Education and Science will be giving details of his programme in due course.

Office of Arts and Libraries

The central government element of the programme is reduced by 1½ per cent (£3m). This will require economies but not fundamental changes in the arts programme. The new British Library building and preparations for the introduction of Public Lending Rights will go ahead as previously announced.

DHSS—Health

The increase in the estimated cost of spending on the health programme will be partly offset by efficiency measures (£27m) together with increases in certain NHS charges (£40m).

The prescription charge per item will go up to £1.30 from April 1982. There will be some increases in dental charges, for example raising the maximum cost of a routine course of treatment by £4, an din charges for spectacle lenses, raising the maximum cost per lens by £6.70.

No new charges to patients are being introduced and the present wide-ranging exemptions will still apply. The cash provision for the health service is expected to permit continued growth in the provision of services.

DHSS—Personal Social Services

The provision reflects the increase in local authority current expenditure mentioned in the second paragraph.

DHSS—Social Security

Expenditure is expected to increase significantly between 1981-82 and 1982-83; most of the increase is on pensions. As indicated in paragraph 6 of the text in the Official Report there may be further additions to be made in 1982-83 on account of revised economic assumptions.

The bulk of the savings in 1982-83 compared with previous plans are attributable to changed estimates of numbers entitled to benefits—mainly sickness benefit. There will be some savings from improved efficiency in administration.

For most benefits the rates to be announced in the budget for implementation in November 1982 will provide for the forecast increase in prices since the November 1981 uprating.

In addition, for the long-term benefits including retirement pensions, the November 1982 uprating will make good the shortfall between the forecast RPI movement between November 1980 and November 1981, embodied in the November 1981 uprating, and the actual outturn.

Scotland, Wales, Northern Ireland

The net increase in the territorial programmes mainly reflect changes in comparable programmes in England. The Secretaries of State have discretion within their own blocks to make allocations which take account of local factors.

Other Departments

The provision for other departments reflects a general cut of 2 per cent in cash-limited expenditure and, within that, the continuing reduction in civil service numbers. The other main change is the effect of the 1981 increase in local authority rates on payments in respect of government property.

Nationalised Industries

External financing limits (EFLs) are a form of cash limit for individual industries. They control the amount of finance (grants and borrowings) which an industry can raise in any financial year from external sources.

They are the difference between very much larger flows of revenue and expenditure, both capital and current, and may therefore change sharply in response to trading conditions.

The limits for 1982-83 have been set following consultations with the industries. They increase the external finance available to the industries by £1.3bn, about half what the industries asked for.

They will require continuing action by the industries to contain current costs but on this basis should allow the industries in aggregate to maintain about the same level of capital expenditure as was envisaged in the last White Paper.

Details of programmes and EFLs

Questions on the programmes of individual departments and the EFLs of nationalised industries should be directed to the relevant department.

LOCAL GOVERNMENT

Burden shifts to rates

THE MAIN effect of the Chancellor's statement on local government finance is that local councils will have a much easier time trying to get their spending on target in 1982-83, but that ratepayers will have an even harder time trying to pay their rate bills.

The admission of defeat in trying to bring council spending down to the Government's planned levels will be a great relief for all councils. If the Government had kept to its plans and insisted on the planned cuts, plus the bringing in line of this year's estimated overshoot of nearly £1bn cash, a cut would have been required next year of about 9 per cent on the volume of current expenditure.

The Chancellor said yesterday this would be unrealistic and an extra £1.35bn would be added to the target for current expenditure in England, Scotland and Wales. This would effectively raise the target from £17bn to just over £18bn in England.

On the other hand the Chancellor announced that the Government was not prepared to fund as big a proportion of council expenditure as before. He cut the percentage of current expenditure funded by grant from 59 per cent to 56 per cent, the largest cut since Mr Denis Healey reduced the percentage from 65.5 per cent to 61 per cent in 1977-78.

The new level of grant means councils in England will share a total of about £11.5bn in grant next year. This seems to imply that the level of contribution from the rates will rise from about £7.5bn this year to about £9bn, a rise of about 19 per cent compared with the Government's assessment that the likely level of inflation in the next financial year will be about 10 per cent.

The Chancellor's statement implies that the Government has decided to allow high rate rises next year to finance a volume of services which will be virtually at a standstill so the difference between the inflation rate and the rate increase really represents the extent to which the Government is using the imposition of higher rates to reduce the public sector borrowing requirement.

This is in spite of the profound unpopularity of rate increases and the fact that they fall heavily on commerce and industry. The CBI estimated last night that industry's rate bills might rise by £400m next year.

If the grant percentage had been kept at 59.1 per cent for England the aggregate level of grant would have been about £11.4bn with a rates contribution to expenditure of about £7.9bn or only 5.3 per cent more than this year.

It was to try to get nearer to this low level of implied increases to average rate bills that Mr Michael Heseltine, Environment Secretary, argued in Cabinet that the level of grant should be kept at as high a level as realistically possible.

Technically, each percentage point cut in the level of grant means a 2.5 per cent increase in rates so a three per cent cut would add about £19 to the average domestic rate bill in England.

But the calculation which includes the changes in expenditure levels and results in an implied rise of 19 per cent would add an extra £45 to the average English rate bill.

In terms of target expenditure for councils the Government appears to have been generous in its admitted attempt to be realistic. A 9 per cent volume cut would have comprised all of this year's overspend (about 5 per cent), 1 per cent implied in the current public expenditure white paper and a further 2 to 3 per cent for the Government's refusal to "validate" or update its inflation assumptions.

Whichever "perm" is taken to arrive at 3 per cent it will be difficult for council leaders to argue that they have not been heeded and sympathetically treated.

It will be equally difficult for them not to meet the targets and allow Mr Heseltine inevitably to claim a year hence that he has finally forced councils to toe the line.

The Government was meeting local authority leaders yesterday and will have further meetings next week to explain how the individual systems of targets within the new expenditure and grant figures will work.

Councils will be given a target based on the previous volume of their current expenditure and on the Government's assessment of how much they need to spend to provide a standard level of services.

Spending above this mixed target will be penalised quickly and severely in sharply reducing levels of grant.

A further complication for councils will be the proposed Local Government Finance Bill which will, if the Government can manage to get it onto the statute books before the rate-fixing deadline of March 31, have a further impact on some rate bills.

There will also be some cuts in the cash provision for local authority capital expenditure, no details of which have yet been announced, although the expected underspend this year might mean that the reduced plans for 1982-83 will still allow an increase in activity between the two years.

However, councils are wondering with some apprehension about what might happen to next year's housing investment programmes and to what extent, if any, they might have to be subsidised by rents.

Robin Pauley

THE CHANCELLOR said the revised plans would not affect the Government's drive to cut the size of the Civil Service. The reductions are on line for the target of 634,000 by April 1984, 102,000 fewer than when the Government took office and the Civil Service is already the smallest since the end of the war. When the Government took office in 1979 there were 2,093,901 full-time equivalent council employees (including law and order) in England and Wales. The latest figure is 2,036,383, a reduction of only 2.75 per cent.

NATIONAL INSURANCE

Employees bear the brunt

FOR THE second year running, the main burden of meeting the rising costs of providing social security benefits, running the National Health Service and meeting other social service costs is placed on the shoulders of those still at work.

The Government has raised the National Insurance contribution rates for employees by one percentage point to 8¾ per cent for those not contracted-out of the State scheme and to 6¾ per cent for contracted-out employees. Employers' rates remain unchanged at 13.7 per cent for not contracted-out and 9.2 per cent for contracted-out employees.

Employees earning at least £220 a week will be paying an extra £3.75 a week if in the State scheme and £3.22 if contracted-out.

Last year the Government lifted employees' contributions by 1 per cent, while leaving employers' contributions unchanged. The Government has taken the opportunity in this year's review to further reduce the Treasury supplement to the National Insurance Fund, a reduction that started last year. The rate is cut by 1½ per cent from 14½ per cent to 13 per cent of combined employee/employer contributions and will save £261m in the Consolidated Fund.

This reduction is offset by a 0.25 per cent increase in the employees' contribution. A further 0.1 per cent of the increase goes towards the cost of National Health Service. The Government believes that part of the increased cost burden of the NHS should come from direct contributions rather than putting the whole burden on general taxation.

The remaining 0.65 per cent of the employees' increase arises because of the worsening unemployment situation. This is split into two parts—a further 0.35 per cent being made to the employment protection allocation in order to keep the Redundancy Fund within the borrowing limit recently agreed by Parliament.

The final 0.3 per cent is made to keep the National Insurance Fund broadly in balance. The fund is expected to run a substantial deficit in the current financial year, the loss coming from higher benefits paid to the unemployed and a shortfall in contribution income.

But both employees and employers will be making higher NI payments in the next financial year simply because of the effects of inflation. The earnings ceiling on which contributions are levied is being lifted from £200 to £220 a week in line with the procedure laid down in Social Security legislation. The lower earnings limit under which people earning below this figure do not pay NI contributions is lifted from £27 a week to £29.50.

Eric Short

NEW CONTRIBUTION RATES FOR THE EMPLOYED

Weekly earnings	Employees	Employees Increase	Employers	Employers Increase
	Not contracted out			
£	£	£	£	£
100	8.75	1.00	13.70	—
150	13.12	1.50	20.55	—
200	17.50	2.00	27.40	—
220 or more	19.25	3.75	30.15	2.74
	Contracted out			
100	6.99	1.17	10.53	0.11
150	10.11	1.56	15.13	0.11
200	13.24	2.07	19.73	0.11
220 or more	14.49	3.22	21.57	1.95

EMPLOYMENT

Increased spending on job training programmes

THE COST of the proposed major expansion of training for 16 to 18 year olds is evidently not included in the £776m which the Chancellor said would be added to 1982-83 spending on programmes related to unemployment. This sum relates only to the increases in expenditure on the existing Youth Opportunities Programme and in the State Redundancy Fund which were announced by the Prime Minister in July.

The training expansion which Mr Norman Tebbit, the Employment Secretary, is expected to announce soon, will probably be instituted in 1983 at a further cost of about £500m. Without this amount the total 1982-83 budget for all the employment assistance programmes would be nearly £2.7bn.

The expansion, proposed by the Manpower Services Commission, and revealed on Wednesday, would move training for school-leavers in Britain towards the far more comprehensive pattern adopted in West Germany—a model admired by the Prime Minister and many of her colleagues. Full-time training in skills for working life would be provided for teenagers unable to find jobs, and part-time study off-the-job for those recently recruited.

Details of the scheme are still not settled. One moot point is whether unemployed young people should be compelled to take part in the scheme—perhaps by denying supplementary benefit to those who refused to do so. Fairly strong measures of compulsion are understood to be favoured by Ministers, but are opposed by the trades union representatives in the Manpower Services Commission.

Another controversial question is how much allowance should be paid to those in the training programmes? Teenagers in present youth opportunities schemes—such as work experience—receive £23.50 a week over the approximate six-month length of the schemes, an allowance which has stayed the same for two years.

The Commission wishes this to be increased to £28 a week, which would presumably apply to young people on the proposed training courses. But Ministers are said to think the allowance paid by the Exchequer to the trainees should be lower—one proposal is that it should be no more than about £15 weekly.

● That figure would compare with just over £30 a week for a full year which will be paid to undergraduate students living away from home while studying (outside London) for a degree, which will result from the 4 per cent increase in student grants announced by Sir Geoffrey Howe for 1982-83.

This rise will bring the increase in student grants since 1976-77 to about 82 per cent, compared with an increase in the retail price index of at least 10 percentage points more.

The ceiling of residual income, above which parents are expected to contribute towards the living costs of children who are students, will remain at £6,600.

Michael Dixon

COUNCIL HOUSE RENTS

Average tenant set to pay £2.50 more

UNDETERRED by the memory of last year's rowdy "picket line" protest in the chamber of the House of Commons, the Government yesterday told MPs and the country's 5m council tenants that rents are set to rise yet again.

The announcement of a proposed £2.50 a week average rise in council rents did not, in the event, provoke a repeat of last year's wild scenes.

This time Mr Michael Heseltine, Secretary for the Environment, was able to announce an increase substantially below last year's £3.25 average and—as everyone in the House knew—the proposed rise could have been as high as £4.50 if the Treasury had got its way.

But the fact that the Department of the Environment itself was pushing for a figure closer to £1.50 will not protect Mr Heseltine and his colleagues from the blast of criticism which has already followed the decision, based on the inability of less well off members of the community to cope with another leap in their basic living costs at a time of high unemployment and squeezed incomes.

The latest increase, to be put out for consultation with the local authorities and due to take affect in April, will push up the average council house rent in England and Wales to £14 a week against an average male manual workers' weekly wage of a little over £120 a week, and under £80 for women. Tenants in some high-cost housing areas will be paying over £30 a week in rent, exclusive of service charges and rates.

The Government says that present average rents account for only about 6.5 per cent of national average earnings and the latest increases are unlikely to change that broad relationship. In 1974-75, rents accounted for 8 per cent of national earnings.

Ministers also say that almost half of council tenants receive some assistance towards their weekly rent, either in supplementary benefit or rent rebates.

Mr Heseltine said yesterday that the rent increases would have no impact on over a million tenants while those on higher incomes would still be spending a smaller proportion of their earnings on housing than their counterparts in the private sector.

The Minister has previously pointed out that council tenants are not necessarily at the bottom end of the earnings scale.

A quarter of local authority households have total incomes of more than £8,000 a year and a third have over £7,000 a year coming in.

Apart from tenants totally covered by rebates and supplementary benefits (approaching 30 per cent of all tenants)—the two systems are due to be combined in time for the next financial year—20 per cent of local authority tenants will have a proportion of any increase met by the state.

The current maximum ceiling on rebates is now £35 a week in London and £30 outside the capital. This year the central government bill for rebates will be £252m at 1980 prices.

In his speech, the Chancellor committed the government to maintaining existing levels of capital expenditure on housing, a pledge which brought howls of derision in view of the low level of current housing expenditure.

In the current year, the Government has allocated £2.2bn to be spent on housing by local authorities in England, a fall of just over 15 per cent on the previous year's spending provision.

Michael Cassell

DEFENCE

Extra £479m needed

THE £479m additional cash for next year's defence budget will not mean extra equipment for the armed forces beyond that already planned.

The additional money merely enables the Defence Ministry to fulfil the programme outlined in the "mini Defence White Paper" of last summer, in which initial provision for the Trident missile submarine programme was announced.

At that time, it was too early to be able to prepare a cash estimate for the 1982-83 defence budget. This, however, has now been done, and the estimate initially prepared was £13.6bn.

In the event, this has proved too low, when considering how the future programmes, such as Trident, were to be financed, and so the extra £479m has been allocated—not without a struggle with the Treasury—to bring next year's budget figure to an estimated £14.1bn.

This compares with this year's original estimate of £12.27bn, which is in turn being increased by £319m (for which a supplementary estimate will be sought in the New Year).

This will take account of such things as implementing the last armed forces pay award, and other additional items, and will enable the Defence Ministry to complete the 1981-82 programme as originally planned.

For the 1982-83 financial year, however, there will be considerable new spending arising from the decision to go ahead with the Trident missile submarine programme, together with increasing costs for many other programmes, such as ships and aircraft.

Efforts to reduce spending on such programmes are being made, but are limited, largely because spending is planned and contracts signed long in advance. The Ministry's room for manoeuvre is thus small—probably only about 10 per cent of the overall defence budget is not fixed in advance.

The Ministry of Defence points out that some defence costs are rising at a rate faster than that of general inflation, and that if the Ministry had not been able to negotiate the additional £479m, there would have had to be an internal review of spending and some programmes would almost certainly have had to be cut.

The Ministry also makes the point that while the recession lasts, and contractors have cash flow problems, and lack of other orders they are fulfilling defence orders faster, and calling for payment sooner.

This factor has already played a substantial part in the recent overspending by the Ministry, and for next year, the planners have built into the budget an element to take account of this.

The precise details of the allocation of the 1982-83 cash over the many programmes are now being worked out, and these will not be revealed until the annual Defence White Paper is published, in late February or early March.

Michael Donne

TELEVISION

BBC 1

9.05 am For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Pigeon Street. 2.00 You and Me. 2.15 For Schools, Colleges. 3.00 Snooker: Coral UK Professional Championship. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Scooby and Scrappy Doo. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Amazing Adventures of Morph.

5.40 News.
6.00 Nationwide (London and South-East only).
6.25 Nationwide.
6.55 Tomorrow's World.
7.20 Top of the Pops.
7.55 Blankety Blank.
8.30 Seconds Out.
9.00 News.
9.25 Tenko: The story of a group of European women interned by the Japanese in World War II (part 7).
10.20 Question Time: Current affairs discussion chaired by Robin Day.
11.18 News Headlines.
11.20 Snooker highlights.

Chris Dunkley: Tonight's Choice

Tonight the schedulers have slipped up: there are three documentaries, none of which overlap at any point. BBC-2's Living On The Land is another of Don Haworth's deeply-felt films about farmers and farming, a repeat of "A Man Of The Black Mountains." It was shot during the summer round-up of the sheep and concentrates on Trevor Powell who was born on a hill farm and is seen here with his neighbours bringing down their vast flocks from the high ground.

Forty Minutes, also on BBC-2, follows up an episode of "Man Alive" seen *earlier this year featuring Alison French*, an 18 year old girl who was born spastic. That programme ended with her poised to leave the protective surroundings of a special college for the disabled to try to make it on her own in the outside world. Tonight's programme starts with her last few days at college and sees her dealing with her first boyfriend.

Enterprise on ITV (some areas) is one of John Swinfield's excellent forays into the world of risk capital, this one looking at show business in London and New York.

BBC 2

11.00 am Play School.
12.00-1.30 pm Open University.
3.55 Women of Our Time.
4.45 The Camera and the Song.
5.15 Personal Pleasures with Sir Hugh Casson.
5.40 The Five Faces of Doctor Who.
6.05 Monster Movie: "Gorgo," starring Bill Travers.
7.20 Cartoon.
7.25 News Summary.
7.30 Living on the Land.
8.30 Russell Harty.
9.00 Happy Endings.
9.30 Forty Minutes.
10.10 Cameo.
10.20 World's End.
10.45 Newsnight.
11.30-12.15 am The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Little Blue. 12.10 pm Get Up and Go! 12.30 The Sullivans. 1.00 News, plus FT Index. 1.30 Thames News with Robin Houston. 1.30 Taff Acre. 2.00 After Noon Plus presented by Judith Chalmers and Trevor Hyett. 2.45 Hazell. 3.45 Three Little Words. 4.15 The Walt Disney Classic. 4.20 Palmerstown.

5.15 Take the Stage.
5.45 News.
6.00 Thames News
6.25 Sounds Like London.
6.55 The Streets of San Francisco.
7.50 "Hot Rod," *starring* Gregg Henry, Robert Culp and Pernell Roberts.
9.30 TV Eye.
10.00 News.
10.30 Minder: Dennis Waterman and George Cole in "Monday Night Fever."
11.30 Enterprise.
12.00 What the Papers Say.
12.15 am Close: Sit Up and Listen with Lt-Col Blashford-Snell.

† Indicates programme in black and white

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 4.15 Dick Tracy. 4.20 Vicky the Viking. 4.45 The Further Adventures of Oliver Twist. 6.00 About Anglia. 6.35 Arena. 6.50 Crossroads. 7.15 Benson. 10.30 Darts. 11.00 The Medicine Men. 11.30 Hagen. 12.25 am Christians in Action.

ATV

12.30 pm A New Kind of Family. 1.20 ATV News. †4.15 The ATV Thursday Picture Show: "The Big Store," starring the Marx Brothers. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.15 Take the Stage. 10.30 Here and Now. 11.00 The Medicine Men. 11.30 ATV News. 11.35 Project UFO.

BORDER

1.20 pm Border News. 4.15 Cartoon Time. 4.20 Vicky the Viking. 4.50 240-Robert. 6.00 Lookaround Thursday. 6.35 Hear, Here. 6.50 Crossroads. 7.15 Take the Stage. 10.30 Maria Gordon-Price. 11.00 The Medicine Men. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 4.15 Cartoon (Dick Tracy). 4.20 Palmerstown. 5.15 Take the Stage. 6.00 Channel Report. 6.30 What's On Where. 6.35 Crossroads. 7.00 Benson. 7.30 Curtain Raiser (Popeye Meets Hercules). 10.28 Channel Late News. 10.32 Simply Sewing. 11.00 The Medicine Men. 11.30 Unforgettable. 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 4.10 Magilla Gorilla. 4.20 The Further Adventures of Oliver Twist. 4.50 Sport Billy. 5.15 Take the Stage. 6.00 North Tonight. 6.40 Police News. 6.45 Crossroads. 7.15 The Entertainers. 10.30 Barney Miller. 11.00 The Medicine Men. 11.30 Seachd Laithean (Scottish news highlights in Gaelic). 11.45 Superstar Profile. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 4.15 Cartoon. 4.20 Survival. 4.50 Little House on the Prairie. 6.00 Granada Reports. 6.40 This Is Your Right. 6.45 Crossroads. 7.15 Take the Stage. 10.30 Celebration. 11.00 The Medicine Men. 11.30 What the Papers Say. 11.50 Tenspeed and Brown Shoe.

HTV

1.20 pm HTV News. 4.15 Bugs Bunny. 4.20 Project UFO. 5.10 Jobline. 5.20 Crossroads. 6.00 Report West. 6.45 Definition. 7.15 Take the Stage. 10.28 HTV News. 10.30 Fit For Living. 11.00 Fit For Living in the West. 11.05 Vegas.

HTV Cymru/Wales—As HTV West except: 11.22-11.37 am Am Gymru. 12.00-12.10 pm Cei Cocos. 1.30-2.00 Definition. 4.20 The Adventures of Black Beauty. 4.45 Ser. 5.10-5.20 Bugs Bunny. 6.00 Y Dydd. 6.22 Report Wales. 6.45-7.15 Sports Arena. 10.30 An Arranged Marriage. 12.00-12.30 am WKRP in Cincinnati.

SCOTTISH

1.20 pm News and Road and Weather. 4.15 Barney Google. 4.20 The Further Adventures of Oliver Twist. 4.50 Puff the Magic Dragon. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Bodyline. 6.45 Take the Stage. 7.15 Take the High Road. 10.30 And Another Thing. 11.00 The Medicine Men. 11.30 Seachd Laithean. 11.45 Late Call. 11.50 International Darts.

SOUTHERN

1.20 pm Southern News. 4.15 Popeye Cartoon. 4.20 The Further Adventures of Oliver Twist. 4.50 The Flying Kiwi. 5.20 Crossroads. 6.00 Day By Day. 6.30 Workaday World. 6.45 University Challenge. 7.15 Take the Stage. 10.30 Roots. 11.00 The Medicine Men. 11.30 The New Avengers.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 3.45 Benson. 4.15 Cartoon Time. 4.20 The Further Adventures of Oliver Twist. 4.45 Tarzan. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 7.15 Take the Stage. 10.30 North-East News. 10.32 Job Slot Extra. 10.35 Barney Miller. 11.00 Come In. 11.30 The Medicine Men. 12.00 !!.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 4.15 Cartoon. 4.20 Little House on the Prairie. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.50 Police Six. 7.00 Cartoon Time. 7.15 Take the Stage. 10.29 Ulster Weather. 10.30 Counterpoint. 11.00 The Medicine Men. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 4.15 Cartoon (Dick Tracy). 4.20 Palmerstown. 5.15 Take the Stage. 6.00 Westward Diary. 6.35 Crossroads. 7.00 Benson. 7.30 Curtain Raiser. 10.32 Westward Late News. 10.35 Preview West. 11.00 The Medicine Men. 11.30 Unforgettable. 12.00 Faith For Life. 12.05 am West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 4.15 Cartoon Time. 4.20 The Further Adventures of Oliver Twist. 4.50 Tarzan. 6.00 Calendar (Emley Moor and Belmont editions). 6.50 Crossroads. 7.15 Take the Stage. 10.30 International Bowls. 11.00 The Medicine Men. 11.30 George Hamilton IV.

RADIO

(S) Streophonic broadcast
(Q) Quadrophonic broadcast
‡ Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Paul Gambaccini with an appreciation of The Temptations. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 Don Durbridge with Much More Music. 8.00 Country Club with Wally Whyton (S). 9.00 Alan Dell with The Big Band Sound (S). 9.55 Sports Desk. 10.00 The News Huddlines with Roy Hudd. 10.30 Star Sound Extra. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Sibelius (S). 10.00 The Sixteen give a recital of English Renaissance Choral Music (S). 11.00 Mozart, Schubert and Brahms piano recital (S). 11.40 French Orchestral Music (S). 1.00 pm News. 1.05 Bristol Lunchtime Concert (S). 2.00 An Opera from the Caucasus: "Abesalom and Eteri" by Zakhary Paliashvili (sung in Georgian) (S). 4.25 Frescobaldi and Scarlatti harpsichord recital (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Paul Scofield in "The Tempest" by William Shakespeare, adapted for radio and produced by Ian Cotterell (S/Q). 9.00 The Macnaghten Concerts' 50th Anniversary: Concert given earlier this evening in St John's, Smith's Square, London, part 1 (S). 9.45 Words. 9.50 Concert, part 2 (S). 10.45 Vincent D'Indy (S). 11.00 News. 11.05-11.15 Gustav Leonhardt (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Checkpoint. 9.30 The Living World. 10.00 News. 10.02 Enterprise. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Analysis: A look at the Lobbyists who "oil the wheels of democracy." 11.50 Enquire Within. 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather; programme news. 1.00 The Word at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.00 Home Base. 4.15 Bookshelf. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Any Answers? 6.55 It's a Bargain. 7.00 News. 7.05 The Archers. 7.20 Time For Verse (S). 7.30 Kaleidoscope (S). 8.00 Royal Philharmonic Orchestra Concert, part 1: Berlioz, Brahms (S). 9.00 Blue Train to Afghan Border (Leslie Gardiner travels through Pakistan). 9.20 Concert, part 2: Ravel, Stravinsky (S). 10.05 The World Tonight. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BUSINESS LAW

Of banks and bankers

BY A. H. HERMANN, Legal Correspondent

IN THE twilight of an uncertain banking law, the narrow path of virtue may offer greater safety than reliance on legality. This moral may be drawn from the recent trial of Herr Ludwig Poullain, formerly chief executive of the West German Landesbank (WLB).

Four years ago, Herr Poullain was accused first of tax evasion and then of fraud and taking bribes. He has now been cleared by the Great Bench for Economic Crime of the Regional Court in Münster. However, the Public Prosecutor is likely to appeal to the Federal Supreme Court (BGH) and, if he does, another year or two may elapse before a judgment. Even if the BGH confirms Herr Poullain's innocence, he will have suffered some five to six years of investigations and trials.

* * *

In the light of the Munster judgment of November 16, it now appears that whatever Herr Poullain did was perfectly legal. But some will continue to doubt whether it was becoming for the head of a large banking institution to act as consultant to one of the bank's credit-taking customers. It was certainly not wise, and would not have been so even if the WLB did not have certain public duties as the state bank of *Nordrhein Westfalen, in addition* to its commercial activities as the central institution of a network of savings banks.

Though Herr Poullain's consultancy may not have been compatible with his position, the fees he earned were commensurate. These came to public attention when, in the course of an investigation into the affairs of Herr Franz Josef Schmidt, a credit broker of Constance, the inspectors found that a payment of DM 1m in banknotes had been made to Herr Poullain. Herr Diether Posser, then Minister of Finance in Nordrhein Westfalen, told the Diet that, according to his experience, if someone accepted such a large sum in cash, he did so in order to evade taxation. This proved a rash statement: Herr Poullain included this consultancy fee in his tax return.

* * *

However, by then, the scandal had passed the point of no return. The revelation of the *cash payment, the great power* that the banks wield over the German economy and the still fresh memories of the Herstatt failure meant that action was inevitable. Criminal proceedings were initiated. The board of the WLB came under heavy criticism in the press and threw Herr Poullain overboard to pacify the storm.

As the Judge, Heinrich Neurath, presiding, said, the court could find no fraud. *Firstly, the bank suffered no* damage. It was not even put unduly at risk as Herr Schmidt's credits were amply secured. Secondly, there was no deception, no evil intent and no recklessness. Herr Poullain informed the board correctly about the credit granted to Herr Schmidt, its conditions and security. He appeared to have, at least tacitly, approved loan payments ahead of authorisation from the credit committee of the bank but the court did not see any serious infringement of the rules in that.

There remained the issue of bribery. The court's decision was of far-reaching importance for all employees, and particularly for the management of the WLB and of similar institutions in Germany. Employees of the Landesbank were not civil servants but they might be considered to be public servants, as the WLB was also the state bank and had the statutory duty to support the regional government in a wide range of activities, *including regional development* and the assistance to small businesses, for example. Under the German criminal code, bribery was an offence which could be committed only by, or in connection with, civil or public servants.

* * *

The regional legislation establishing the WLB had nothing to say in this respect about the status of its employees and managements. Could the commercial activities of the bank be separated from its public tasks? One German court had already held that such separation was not possible and, according to this view, the members of the management at least had the status of public servants. However, Professor Halstenberg, former Minister of Finance of Nordrhein Westfalen, came to the rescue and told the court that it was not intended that Herr Poullain's appointment should make him into a "public servant" in the area of the commercial activities of the bank.

If one accepts this concept, the status of the managers would change according to their preoccupation at the moment: they could be public servants when granting a credit justified by the policy of regional *development* and private employees the next minute when approving a purely "commercial" credit.

* * *

Such legal acrobatics are not a very satisfactory solution but it is a possible one, provided that the two types of banking activities—private and public—can be separated. The court held that they could, drawing a parallel with Volkswagen: although an enterprise of that size could not conduct its business without regard to the public interest in preserving jobs, and was backed by government, it could hardly be described as part of the public administration, said the presiding judge.

The public prosecutor may *choose to test this ruling* in the BGH. But even if it is reversed, Herr Poullain may still be left with the defence of an excusable error: his status was not defined by legislation or contract and his misconception was shared by the Government which appointed him, as well as by many legal authorities.

Sometimes it is useful to think ahead when drafting banking statutes: and it is always safer to avoid legal brinkmanship, particularly if you are at the top.

Banks engaging in rescue operations in Germany will tread more warily now that the BGH has made the Hessische Landesbank pay DM 1m (plus legal costs) to the creditor of a company which the bank tried to rescue.

The company encountered financial difficulties in connection with a large building project. As part of a rescue package the bank acquired, through one of its fully-owned subsidiaries, a majority interest in the ailing company. The bank then extended the previously terminated credits and granted additional credits to the company which now was under its control.

* * *

According to German company law *(Section 30 of the* GmbHG) : credit granted by a partner to a company is viewed as a replacement of any capital previously lost by the company. Reversing two courts below, the BGH held† that the credits granted by the bank created a guarantee fund for all contemporary or future claims of creditors, even if there was no causal connection between the bank credits and the claims.

†BGH AZ II ZR, 104/80.

RACING

BY DOMINIC WIGAN

ON AN afternoon which again sees racing in the North, South and Midlands, it could be that the day's two best bets are in 13-runner novices events.

At Warwick Mrs Jenny Pitman's course winner, Royal Friend, should finally make the winner's enclosure after two near misses. At Taunton York Terrace strikes me as well worth waiting for in the closing division of the Bickholler Novices Hurdle.

Royal Friend, whose task in the Temple Grafton Chase has almost certainly been made a good deal easier by the withdrawal of Blue Patrol, might well have bustled up Full Sutton at Windsor last time out but for a blunder two fences out. Making steady progress at the time, Royal Friend was *travelling better than any* apart from the winner, and would doubtless have proved more than a match for the favourite Rusthall, to whom he lost second spot by just three-quarters of a length.

With a considerably easier task in front of him this time Royal Friend, a chestnut son of Be Friendly, ought to have few problems.

York Terrace, whose stable companion, Heighlin, struck with a vengeance in turning over Ekbalco at the weekend, has not of late looked worth the 5,200 guineas laid out for him at Newmarket's autumn sales. But I suspect that David Elsworth now has him back to somewhere near his best. If that proves to be the case, the Derring-Do colt will prove more than a match for Gold Racer and Indian Lyric in the West Country.

WARWICK
12.45—Barrow
1.45—Tilthammer Mill
2.45—Royal Friend**
AYR
12.30—William the First*
1.00—Tenquin
2.30—Mister Moonshine
3.00—Sovereign Landing
TAUNTON
12.45—Somers Heir
1.15—Massena
3.15—York Terrace***

TECHNOLOGY

EDITED BY ALAN CANE

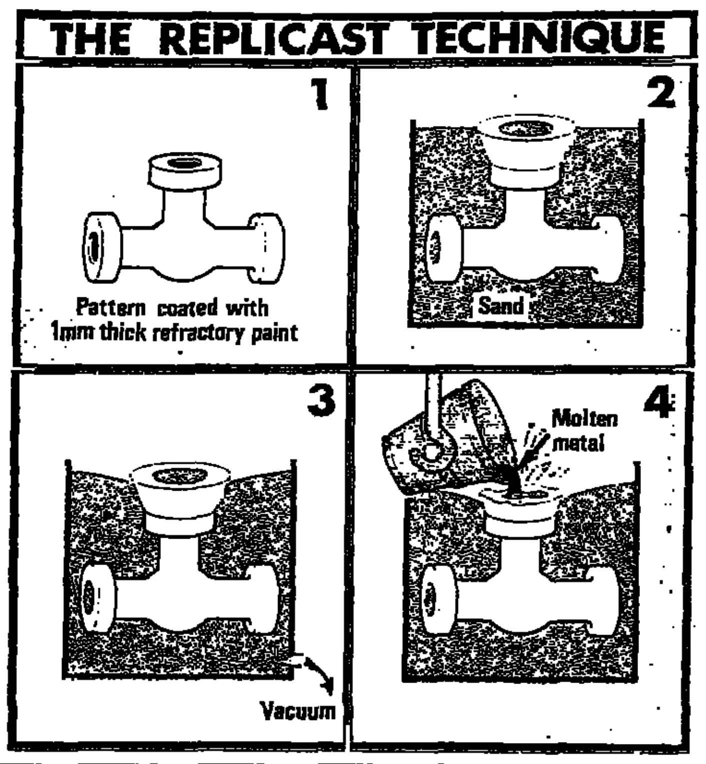
Polystyrene in the foundry

BY ALAN CANE

ANY FOUNDRY with £5m or so to spare could instal an automatic casting machine capable of turning out 300 respectable castings an hour.

Most foundries are not in that league, however, and that is why the Steel Casting Research and Trade Association (SCRATA) is so excited about its latest casting technique, Replicast (see the Financial Times, December 1).

THE REPLICAST TECHNIQUE



In Replicast it has a process which is not actually novel; all the elements have been known to the casting business for at least a decade. What SCRATA has done is make it work.

It has combined the use of patterns made of cheap, disposable expanded polystyrene with refractory paint to create a sand mould in which the sand holds the shape of the pattern by vacuum alone.

Mr Philip Webster, senior lecturer in foundry practice at West Bromwich College of Technology, in the West Midlands, the largest school of foundry techniques in the UK said: "It looks like a very useful addition to the range of foundry techniques."

Mr Webster, editor of The Fundamentals of Foundry Technology just published by Portcullis Press at £24, went on: "The basis of the technique is sound. Over the years a number of attempts have been made to create moulds of this type using, for example, magnetic moulding materials, but the SCRATA technique seems to have many advantages."

In traditional casting technology, the pattern of the piece to be cast is cut in wood or plastic in two pieces. Sand mixed with a bonding agent is poured around the half-pattern and special pieces, "cores," used to maintain the fine detail inside the casting.

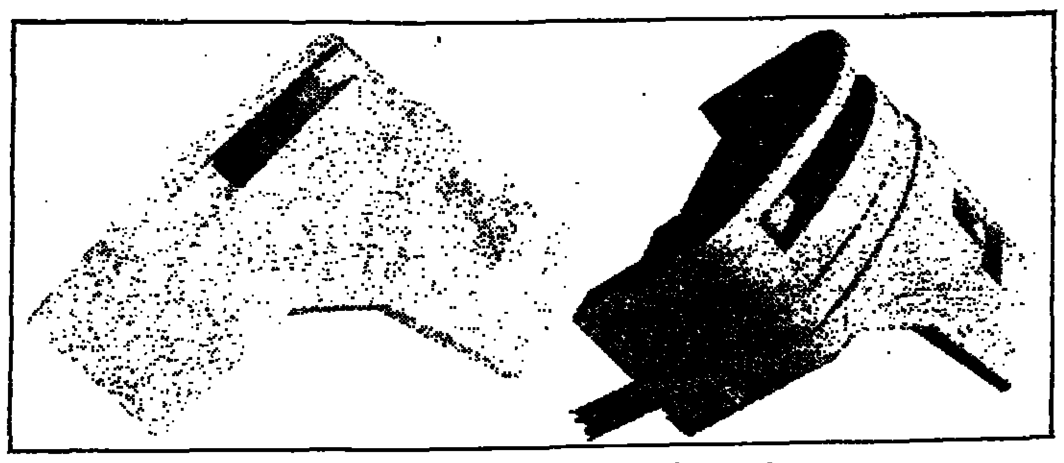
The pattern is removed from the mould, the two halves clamped together and molten metal poured in to complete the casting.

Problems? The resin bonded sand is expensive: up to £30 a tonne compared with £12 for dry silica sand. Furthermore, the resin burns on contact with the hot metal giving off fumes which the Factory Inspectorate is likely to view with disfavour.

The casting, once removed from the sand requires shot blasting for cleaning. The surface may be suspect because of the inclusion of sand and slag and odd bits of rough metal, "flash," has to be removed, often manually, from the surface of the casting.

The bonded sand can be reclaimed, but again it is an expensive process.

The Replicast system starts with a pattern fabricated from expanded polystyrene. SCRATA has adopted the methods used by the packaging industry to develop the tools necessary to create the patterns. If necessary, a pattern can be built up by gluing bits of polystyrene together.



Polystyrene mould (left) and the finished casting.

The pattern is then coated with refractory paint to a depth of about one millimetre, dried and placed in a sandbox. Clean dry sand is poured around and over the pattern and vibration applied until the sand consolidates around the pattern, especially under horizontal faces and undercuts.

Vacuum, typically half an atmosphere, is applied. According to SCRATA: "The vacuum in the bed of sand creates a pressure drop across the refractory coating which holds it in place against the consolidated sand even though the expanded polystyrene collapses immediately molten metal is poured into the mould."

Castings so prepared have no parting line where the two halves of the mould are put together in the conventional technique, little sand adheres to the surface and little shot-blasting is required.

There is little or no flash, and no fumes from burning resin. Casting up to two tonnes in weight have been poured at SCRATA. Metals ranging from aluminium to steel have been successfully poured.

The only limitation on the technique at present is for very high integrity steels where the carbon in the polystyrene can form an impurity in the metal. There is no reason, it seems, why the polystyrene should not be burned away before the metal is poured.

According to Mr John Brown, manager for special projects at Foseco Foundries International, which is marketing Replicast for SCRATA (021-327 1911), the average cost for installing the equipment from scratch including the licence fee would be between £100,000 and £200,000 giving the potential to produce 15-20 tonnes of castings a week.

There is also a modest royalty on each casting. He thought that savings of more than 25 per cent in metal casting costs could be achieved. Taking all costs into consideration, he thought savings of 5 per cent could be achieved, which could have considerable effect on most foundries' profit margins.

Foundrymen, careful and conservative as they are, are leery of the word "breakthrough." But they seem anxious to give SCRATA's latest development a fair trial.

Accuracy at the weighbridge

A VEHICLE weighbridge that can deal with nominal loads of 20 tonnes and be out by no more than 0.02 per cent is being made available in the UK by ASEA.

Overloads of up to twice the rated load can be accommodated without risk of damage. Furthermore, side loads of five per cent of the measured load can be applied without affecting measuring accuracy.

The control unit for the weighbridge has up to 32,000 bytes of working memory and can also hold 164,000 characters on two discs.

Using keyboard and screen, the operator can call up various statistics such as the total weighed by customer, by vehicle or by material type. All the operations are stored in files for goods, customers, suppliers, vehicles and orders.

The system can also be programmed to control traffic lights, gates, doors and other devices such as replenishers. More on 061 485 7121.

Marconi to spend £5m on development

BY GEOFFREY CHARLISH

THE EXTENT of the change taking place at Marconi Instruments of St Albans was pointed out by Colin Gaskell, managing director, this week, when he disclosed that the company, part of GEC, will be spending £5m in development next year in a turnover predicted to top £30m.

This spend rate of 17 per cent of sales is planned to be repeated "for the next few years" and the lion's share will be going into automatic test equipment (ATE) development.

It is a clear sign that GEC intends to maintain a strong presence in autoset, not only for its growing in-house applications but for the external home and export markets as well.

Difficulty

Gaskell speaks of introducing new products at the rate of eight to ten a year and claims that the only thing holding back expansion is the difficulty of recruiting the right people.

Recently, MI opened an office in Sunnyvale, California, and Gaskell expects to open another in the Far East "in a few months."

These are bold moves in a board-testing market containing names such as Fairchild, Fluke, GenRad, Gould, Hewlett Packard, Racal, Teradyne and Zehntel. There is also heavy U.S.-based dominance; apart from MI, only Racal can now be properly described as British owned.

It is a sizeable market however. ATE world business in all areas (boards, semiconductors and measurement/test) can hardly be less than $900m this year, 45 per cent of it in board testing.

Contact

Meanwhile, MI has launched two new products calculated to enhance its position.

One will help to clear up a problem MI says it often encounters in the field — that of "bed of nails" fixture design. This is the set of carefully placed contact points that is brought down on the board to make contact in the right place for testing — and it is often the weakest link in the chain.

So, MI is now offering a service called Fixture-fast. A £250,000 installation at St Albans will digitise customers' artwork and produce tapes for pin placing and for wiring up the fixture back-plane on a semi-automatic machine.

The complete test fixture is available in kit form: either MI, or the customer will convert it to its usable form.

Maximum

Also developed in time for the ATE show in Brighton next week is System 80X, an in-circuit tester able to deal with the more complex boards found increasingly in digital communications and computers.

The maximum test point capacity is four times higher than the previous model 80 and there are improvements in signal conditioning to give better performance.

With up to 2048 test points the system can cost more than £150,000. Already three orders have been taken totalling over £250,000, and two of them are from the U.S.

Codascan for bar codes verification

A PORTABLE instrument for verifying bar codes, called Codascan, has much more measuring ability and intelligence than the normal "light wand" used at retail outlets.

Measuring 194 x 76 x 67 mm, the unit runs from battery or mains and is simply run over the code in the ordinary way. However, it carries out a number of measurements apart from simply indicating whether the bar structure is in or out of spec.

It decodes and displays the scanned number, followed by values of light and dark reflectance, print contrast, magnification factor, bar tolerance, the average bar width error and a detailed dimensional analysis of each character. More from the makers, Kings Town Photocodes, Beverley, Yorks (0482 867321).

FINANCIAL TIMES SURVEY

Thursday December 3 1981

FINANCIAL SERVICES IN NEW YORK

From today U.S. banks can for the first time deal directly in the Euromarkets without the need to open offshore subsidiaries. This development marks another step in the steady deregulation of the American financial services community, where far-reaching changes are afoot. But New York banks would like to see deregulation speeded up even more.

Strong tide of change

By David Lascelles

DEREGULATION IS the name of the game on Wall Street these days—whether it be the relaxation of banking and tax laws to allow today's start-up of offshore banking in the U.S., the abolition of irksome interest rate ceilings or the creation of new law to allow novel ventures like the Lloyd's-style insurance exchange.

So much has changed on New York's financial scene in the last five years as to make it virtually unrecognisable to anyone who has been away that long. Mergers have swept up more than half a dozen of Wall Street's biggest firms and bundled them into new financial super-conglomerates. Novelties like financial futures and money market mutual funds have mushroomed. The outside world has broken in as never before. Foreign banks have opened up shop by the dozens: even the foreign exchange market has burgeoned.

Not that all this has been the result of a deliberate move by the authorities to foster change. If anything the lawmakers and regulators have had to be badgered into it by the inexorable pace of change in the marketplace. But the deregulatory spirit of the new Reagan Administration will probably accelerate it; certainly the new political mood has left Wall Street positively crackling with expectation.

The pressures that are bringing change are coming from several quarters, including abroad. The International Banking Facilities (IBFs) that banks may open today are a response by the Federal Reserve Board to the massive growth of the Euromarkets during the 1970s. It is a grudging admission that offshore markets are not going to go away, and if you can't beat 'em you might as well join 'em. But the Fed also hopes to be able to keep a closer eye on them if banks deal from Manhattan, Chicago and Miami rather than London or some exotic tropical island.

Fictitious

No one expects the 200 or so IBFs that will open in the next few months to sound the death knell for London, Bahrain and Singapore because a lot of people will still want to keep their offshore deposits out of the U.S. where they might get frozen, Iranian assets-style. But it could spell trouble for Nassau and Grand Cayman, which were fictitious addresses for offshore business that was really being done in New York.

The authorities were also slow to respond to the crises in the financial markets caused by record high interest rates. While nimble stockbrokers were quick to extol interest rate futures for those who needed to hedge their assets, and money market funds for those who wanted to cash in on sky-high yields, the regulators dallied while banks and thrift institutions were being crushed by the straitjacket of fixed interest rates.

The Fed, the Treasury, the state governments and the host of other agencies which regulate banks (the number itself is telling) eventually began to loosen the strings. But they did it on the liability side of the balance sheet first, which meant that banks had to pay more for their funds while still collecting *the same yield on their fixed* rate loans.

This triggered off a fresh crisis in the banking system; bank earnings plummeted, several thrift institutions went bankrupt. But that finally drove home the message to Washing*ton that bank law was an urgent* candidate for reform.

So while the financial crisis was painful, even hair-raising, it was itself the trigger for much-needed change.

Upheavals usually bring about changes in perception as well. How else can one explain the sudden popularity of "financial supermarkets" on Wall Street—the multifaceted conglomerates created out of mergers between the likes of American Express (credit cards, insurance banking) and Shearson (stockbroking, commodities, finance)? These marriages could have been made any time in the past ten years. But nothing happened until 1981, when half a dozen hit the headlines.

The financial services industry, which used to see itself as lots of little bits, has suddenly perceived a pattern, as if it had been handed an aerial photo of itself. Investment, insurance, tax, credit—it all boils down to the same thing — handling money. So why not bundle them all together?

Commodity dealing room at Salomon Brothers, one of New York's leading financial houses and now part of one of the new conglomerates—Phibro-Salomon Brothers

One thing that has changed is technology. The combined stockbroking, banking and credit card accounts that Wall Street firms now offer would not have been possible without the computers to handle them, the little plastic cards to work them, *and the offices to sell them.*

More important, perhaps, is that others outside Wall Street have also spotted this pattern. Sears Roebuck, which made its name selling crockery and chair covers through catalogues, has seen it, and wants to become the biggest financial service company in the land. National Steel, best known for I beams and steel rods, recently bought one of the largest savings banks in New York.

Texaco, the oil group, whose top executives probably do not know an escudo from a krona, have just launched a joint foreign exchange brokerage venture with Charles Fulton of London called Ful-Tex.

In the long run, the arrival of outsiders could have a far bigger impact on Wall Street's *future than mergers between* companies which are already in the business anyway.

Meanwhile, though, the steady blurring of distinctions between different financial services has provoked what is likely to be the liveliest debate of all—over bank law reform.

Recent development have been specially hard on commercial banks in New York. Bound by ceilings on both how much they can charge on many types of consumer loan and how much they can pay to attract deposits, they have lost out badly to new-fangled investment vehicles like money market funds, which they are not allowed to sell. Nor have they been able to enlarge their deposit-gathering base because the McFadden Act says they cannot open branches in other states. Nor have they been able to join in the Wall Street merger wave because the Glass-Steagall Act bars them from investment banking.

Ceilings

Only a year ago *it* seemed that opponents of reform held the whip hand. Wall Street's investment banking firms, grouped in the powerful Securities Industry Association (SIA), were fighting every lunge by the banks at Glass-Steagall. At the same time the small town banks, terrified of the competition that nationwide banking could bring, were defending McFadden with every weapon at their command.

But the political winds seem to be shiting. Alarmed by the stresses and strains of the banking industry, Congress officially opened the debate on bank law reform earlier this autumn and is now holding hearings on a long list of possible changes. The Reagan Administration has also thrown its weight behind calls for reform.

None of the Bills before Congress would actually do away with either McFadden or Glass-Steagall at a stroke. But they would poke many holes *through them by allowing banks* to go into other states or perform investment banking services in specific and tightly controlled circumstances.

Wall Street seems to have recognised that the tide may be turning and has been thrown on the defensive. The SIA recently made a major concession by dropping its heated opposition to banks being allowed to underwrite certain types of municipal bonds—an esoteric issue if ever there was one but one which has aroused deep passions.

It is still too early to say where and how fast this movement for change will lead. But limited reform seems certain to come next year.

The prospect of banks being allowed to join the financial *services revolution* is itself of course adding to the pace of change. Unregulated companies like retailers, steelmakers, insurance companies and construction engineers are racing to take advantage of their freedom and get in first. The banks' *fear is that by the time they got* their chance, the whole business will have been sewn up.

CONTENTS

NEW YORK II

DAVID LASCELLES explains the workings of the International Banking Facilities (IBFs) and discusses the qualified welcome by New York's financial community, irked as it is by continuing restraints in other areas and facing a growing invasion from outside organisations.

Freedom with some strings

THE START-UP of international banking facilities (IBFs) in the U.S. today is a dramatic development for American banking. But at this early stage the striking point is not so much what it means for the Euromarkets — which is little — but that it should have happened at all.

IBFs mark a major concession by the U.S. Government and regulatory authorities, who have been forced to recognise that the tough U.S. banking laws had driven a lot of U.S. banking busines offshore—and countless jobs with it. The establishment of IBFs is an attempt to bring some of that business back—but in a tightly regulated way that will not affect domestic monetary policy or undermine the home-based banking system.

IBFs are "akin to the duty-free shop in airports or the free trade zones for goods involved in international trade," said Mr Serge Bellanger, former chairman of the Institute of Foreign Bankers in New York.

The IBF concept was dreamt up in the 1970s by the large New York banks, which were worried about the competitive disadvantage they suffered in the free wheeling world of the Euromarkets where billions of dollars change hands without any regulatory restraint at all.

In 1978 they proposed to the Federal Reserve a plan which —but for some small changes— becomes a reality today. Essentially it suggested that IBFs should be established free from three of the most costly constraints on U.S. domestic banking: the obligation to put up interest-free reserves with the Fed against deposits; limitations on the amount of interest banks may pay on deposits; and certain taxes.

After mulling over thet plan for two years, the Fed agreed, though typically as a central bank it was worried about "leakage" between the domestic banking system and the IBFs' so it imposed conditions to ensure that IBFs could only be used for foreign business, with minimum transaction amounts set high enough to discourage small-time speculation.

The banks baulked at some of the tougher conditions, and the Fed agreed to water them down a bit. But IBFs will still be bound by limitations (see box) which has prompted some disappointed bankers to wonder whether IBFs will be able to live up to expectations.

Especially galling was the ruling by the Federal Deposit Insurance Corporation, the Government agency that collects premiums from banks to insure depositors against a bank failure that IBF deposits qualify for insurance. This could add a few fractions of a per cent to banks' cost of funds, which might make a difference in the hotly competitive Euromarkets. But legislation is pending in Congress which could change this.

On the tax side IBFs will be free from state taxation so as to put them on an equal footing with offshore subsidiaries (all U.S. bank operations are subject to federal taxation, wherever they may be). It is up to individual states and not the Fed to grant tax exemption, of course, and many, eyeing the business and jobs that IBFs could bring, have done that. The states that have either passed IBF tax exemption and have it pending are New York, California, Illinois, Florida, Georgia, Maryland, Hawaii, Connecticut and Massachusetts. Several states do not tax banks anyway.

Whether these states will recoup from extra business what they forgo in bank tax revenues is a crucial point. Judging by the muted promises from banks, the IBFs will not create a flood of new jobs, if they make any difference at all. With state budgets under pressure because of the Reagan cutbacks in federal subsidies, the IBFs' failure to deliver could easily touch off political rows. Many states, including New York, have given a very narrow interpretation to what constitutes legitimate IBF revenue.

Estimates of the amount of assets that will go into IBFs range widely, from $80bn to over $200bn out of Euromarkets whose assets total nearly $1,000bn. But most bankers agree that IBFs will get off to a slow start and will only grow once banks and business get a feel for what they are and how useful they can be. Business will be concentrated in New York, but California and Chicago should do well. So should Miami, which has become a financial centre for Latin America.

Despite the regulation, establishing an IBF is simplicity itself. Physically it need be no more than an accounting operation; it does not have to be housed in a special bonded warehouse or restricted area of the bank. Banks need only notify the Fed two weeks in advance that they want to start an IBF and agree to abide by the rules. The banks must also ensure that their customers understand the rules.

About 170 banks had applied by the deadline to open today, thought not all of them are expected to start up immediately. These include all the major U.S. banks in New York, Chicago and California, as well as large regional banks and several foreign banks who want to get in on the act, particularly the Japanese who have been prevented from entering the Caribbean offshore market. The New York banks have a distinct advantage because the IBF market will be on their doorstep and settlements will be cleared through the New York Clearing House, to which non-New York banks have only indirect access.

For large U.S. banks which have been in the Euromarkets for years through their subsidiaries in London, Nassau, Grand Cayman, Singapore and Bahrain, IBFs offer mainly the advantage of convenience; they will be able to do openly and directly in New York what had previously required a lot of complicated paperwork. But for smaller banks IBFs are a chance to enter offshore banking markets without having to open up expensive foreign branches. In this sense IBFs could enlarge the offshore market.

From the regulators' point of view, the more offshore banking business that comes back to the U.S. the better. This is not just the *quid pro quo* they hope for. But the Fed saw the whole IBF plan from the start as a way to exercise tighter regulatory control over offshore markets (which it has long been worried about) and give the U.S. a legi-timate interest in those markets.

Outside the U.S., keenest interest centres on the question of how strongly IBFs will impact on offshore markets.

American bankers reckon very little, at least to start with. None of the major banks plans to shut down in London or elsewhere and ship its operations back home. Most will even keep open their "shell" branches in the Caribbean.

Although IBFs mean that depositors will—for the first time—be able to place offshore funds in the U.S. and enjoy the U.S. sovereign risk, which is the best there is, banks believe many people mistrust the U.S. and will want to keep their money in other centres. Opec depositors are usually cited. They prefer the confidentiality that non-U.S. banks offer. The Iranian assets freeze was also stark evidence that the U.S. is not above inteferring with the bank system for political ends.

Geographically IBFs will add a new time zone to the Euromarkets, though this is unlikely to make much difference since those markets are a worldwide round-the-clock business anyway. IBFs could, however, add another wrinkle to interest rates by creating a new "tier" based on the IBFs' unique features. This will depend on how their special costs (FDIC insurance, transaction conditions, etc.) act out against their special advantages (convenience, sovereign risk, etc.).

But in the long run, IBFs may well require more forthright backing from the U.S. authorities to fulfil their promise. It is a fact of life in world banking that things go best when regulation is least, as the thriving Euromarkets have shown. And while the Fed has made striking exceptions for IBFs, they are still coming into existence as a grudging concession.

Their scope is broad but not uncircumscribed. Moreover, the feeling lingers that the Fed might put a stop to it all if it thought its authority was being undermined. U.S. banks were looking for more unequivocal backing than that.

Federal Rulings on IBF's

To enable competition on an equal footing with offshore banks, the Federal Reserve has exempted IBF's from two major U.S. banking regulations:—

- **Regulation D, which requires U.S. banks to place non-interest bearing reserves with the Fed, based on the volume and type of deposits they hold. This regulation adds to U.S. bank costs.**
- **Regulation Q, which places limits on the amount of interest banks may pay on deposits. This regulation limits competitive ability.**

To prevent IBFs undermining domestic monetary policy and damaging the banking system, the Fed has also imposed conditions on them.

- **IBFs may only deal with foreign residents and corporations, other IBFs, and the foreign subsidiaries of U.S. companies (in which case the funds must be used only in support of foreign business).**
- **Non-bank depositors must give two days' notice of withdrawal. Foreign banks and official institutions may place overnight funds in IBFs.**
- **Time deposits are subject to a minimum deposit or withdrawal of $100,000.**

IBFs are also exempt from state tax, though it is up to state governments to do this.

Banks still look for remaining shackles to be removed

"THE BANKS are screaming for change," said a leading New York banker last month, using phraseology that typically expresses the frustration in his business over the shackles of bank law.

In fact New York banks have not done too badly recently. New York State has lifted a lot of the so-called "usury ceilings" which prevented them from charging more than outdated levels of interest on consumer loans (eg, 12 per cent when the market rate had soared to 18 per cent). Down in Washington, regulators have relaxed rules which limit the amount of interest banks can pay to attract deposits, with more to come. Today's birth of International Banking Facilities is itself striking testimony to regulatory change.

But most banks dismiss these as mere details in their great campaign for reform of fundamental banking law, sharpened as it has been this year by the tremendous changes that are taking place in the financial services industry as a whole.

The chairmen of New York's largest banks—Mr Walter Wriston of Citicorp, Mr Willard Butcher of Chase Manhattan and Mr John McGillicuddy of Manufacturers Hanover—have devoted countless speeches and interviews to advancing their cause—in striking, plaintive, threatening and even alarmist tones as the occasion demanded. But the basic theme is the same; commercial banks are being unfairly prevented by outdated laws from joining in the financial services revolution, and unless laws are changed soon, they may lose out for good, to everyone's cost.

In recent testimony to the Senate Banking Committee which is considering bank law reform, Mr Wriston produced a chart listing major financial service businesses and showing which of them banks may enter (five) and which unregulated companies can enter (up to 18). They include unlikely categories like car rentals but the point is clear enough. Ten companies that we think of as being in such things as steel, retailing, insurance and even piano-making, are allowed to perform all basic banking services, and more.

Apart from the sheer inequity of it, bankers maintain that there are dangers. In contrast to foreign banks which operate in a freer regulatory climate in their home countries, the constricted U.S. banks are neither as profitable nor as fast-growing. Ten years ago eight of the world's ten largest banks were American. Today that number is down to two.

The banks' predicament is doubly frustrating, because while their most pressing problems have to do with maintaining a healthy balance sheet they are severely limited in what they can develop: in the way of alternative sources of profit that are not tied to the balance sheet.

Competition from new high-yielding investment vehicles like money market funds have presented all New York banks, large and small, with big funding problems. At the same time many of them are stuck with low-yielding fixed rate loans (mortgages, consumer instalment loans etc.), usually fixed by law.

The squeeze has been worst on savings banks. Several were forced to merge to stay alive; one, the Greenwich with deposits of $2bn, had to be rescued from failure by bank regulators. But the big banks have not escaped either; Citicorp, number one in New York, took a 7 per cent drop in earnings last year because it got crushed against the wall by high funding costs.

The implication of the rise of money market funds and the fall in bank savings is that the banking industry's role as a financial intermediary may be declining, a shift that could be crucial for a financial centre of New York's size. Banks still obtain the small saver's dollar, but instead of taking it straight off him in a branch in Fifth Avenue or Brooklyn, they buy it from him via a money market mutual fund run by Merrill Lynch or American Express, which take their cut on the way.

This shift is not so visible at New York's big banks, which fund themselves mainly in the money markets—and the deregulation of interest may be easing the pressures anyway. But the banks, understandably, do not see why they should be prevented from tapping whatever legitimate sources of funds there are.

The relaxation of New York consumer lending and mortgage laws to allow banks to charge higher and more flexible rates of interest should ease some problems on the asset side of the balance sheet. But profits from commercial and industrial lending will continue to be under a tight squeeze. One effect of the growth of the money market funds has been to fuel the commercial paper market, which competes directly with bank lending. Outstandings in this market were $165bn last month, up from $125bn at the beginning of the year.

A growing army of foreign banks is also pressing on the flanks. New York now has 139 foreign bank agencies or offices with assets totalling $122bn.

Many are pricing their wares very competitively to buy their way into the market or press various advantages and are making deep inroads into the business loan market.

But the pace of foreign bank acquisition has cooled a lot since Britain's National Westminster Bank bought National Bank ca North America for $429m in 1979.

The New York bank market looks saturated now; all the good buys were snapped up some time ago. Although Mrs Muriel Siebert, the State Bank Superintendent, insists that foreign banks are still welcome, New York's regulatory climate is also quite tough. Hongkong and Shanghai Bank was unable to satisfy Ms Siebert's requests for information when it bought Marine Midland Bank in 1978, so it appealed directly to Washington instead. Last month, a group of three wealthy Arab investors were denied permission to buy two upstatea New York banks because some members of the Banking Commission thought the Arabs were too closely tied in with their governments and might alter the banks' policy in a way that damaged local interests.

New York commercial banks have been forced to respond to the new competition by lending below the prime rate, usually by taking their daily cost of funds and adding whatever "spread" they think the market will bear. The growth of "spread" banking has reduced the funding risk but is is also eating into profits— though for much of this year loan demand was so strong that higher volume compensated for thinner margins. New York bank profits these days may best be described as "mixed."

For some time banks have been diversifying into areas that are open to them under banking law to build up income from new sources, mainly fees and trading. Foreign exchange (together with Government bonds, the only thing that banks are allowed to trade) has been specially lucrative, and now contributes strongly to profits.

Some of the biggest diversification strides have been taken

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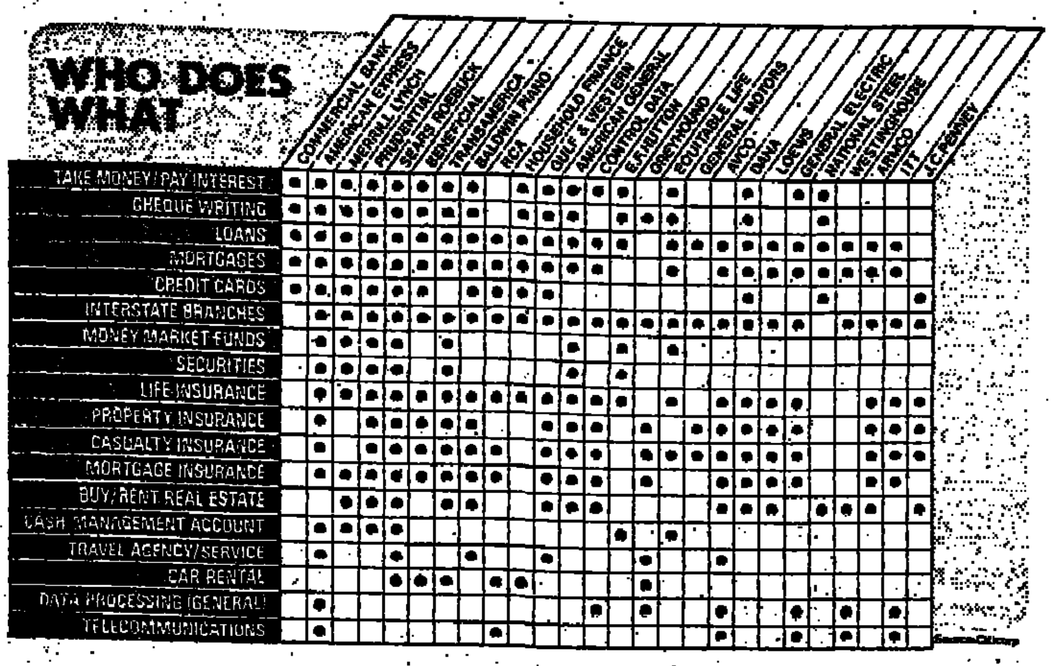
NEW YORK III



The chart above—used by the chairman of Citicorp in evidence before the Senate Banking Committee—demonstrates graphically the restraints under which U.S. banks labour.

Of the 18 categories of financial services listed, a *commercial bank* is restricted to a mere five, all of them in traditional areas. Unregulated companies from diverse fields of activity which have penetrated the financial sector enjoy freedom in all 18.

Thus the leading mail order house Sears Roebuck is engaged in no fewer than 16 categories; American Express scores a like number. Baldwin Piano and the Gulf and Western conglomerate rate a dozen each.

Remaining shackles

CONTINUED FROM PREVIOUS PAGE

by Manufacturers Hanover, number three in New York, with assets of $60bn. The bank claims to have built up the largest leasing and mortgage banking operations in the U.S., and has big factoring and personal finance business as well.

According to Mr McGillicuddy, all have better profit prospects than the bank itself, though they were built up much with a view to the coming deregulation of banking. "We have, I believe, one of the best, if not the best, positioned bank holding companies for the future," he boasted at a recent meeting with Wall Street analysts.

But the diversification route quickly runs slap into the Glass-Steagall Act which prevents banks from entering what they consider to be a logical business — investment banking. They may organise mergers and acquisitions and perform many investment bank-type services but they may not deal in corporate securities, which means that they may neither trade nor underwrite stocks and bonds, a key part of investment banking.

The geographic constraints of the McFadden Act (which prohibits banks from opening branches in other states) have also kept New York banks on a short leash, though banks have made the most of their freedom to open non-banking branches, like consumer finance centres, loan production offices and leasing offices.

But most New York banks are bursting to open proper deposit-taking branches in other states, and three of them (Chemical Bank, Chase Manhattan and Citicorp) have gone so far as to set up what amounts to delayed-action takeovers of banks in other states, to be triggered the day the law is changed.

New York State's own tough bank and tax laws have compounded the problem. Citicorp fled the local usury laws by transferring its credit card business to the unlikely destination of South Dakota, which treats banks leniently. Morgan Guaranty and Chase Manhattan persuaded the State of Delaware, 200 miles to the south, to take advantage of disgruntlement in New York by passing a generous tax and bank Act of its own: both banks are now opening subsidiaries there. The rate of New York taxation on banks is a constant cause of complaint, but Governor Hugh Carey has vowed to bring it down.

Slowly the banks are filing away at their shackles, and some of the smaller of these have already fallen off. The hearings on bank reform in Washington could knock a few more off as well. But powerful lobbies are fighting reform, and nobody expects Mr Wriston's list to look much different a year from now.

D. L.

Fresh wave of Wall Street mergers

ONLY FIVE years ago Wall Street firms were in a turmoil of takeovers and mergers. It was a desperate quest for survival after the abolition of fixed-price commission knocked the props from under the whole profit structure on which Wall Street was built.

Today mergers are all the rage again but the reasons could hardly be more different. In typcial feast-and-famine fashion, that teeming community of brokers, investment bankers, commodity traders and dealmakers finds itself at the centre of a brave new world where everyone seems to want its skills and contacts—and pay handsomely for them.

This year alone five of the largest firms on Wall Street have been taken over by outsiders who want to get into their business. Another two firms have made takeovers of their own to expand their markets. Plenty more deals, by all accounts, lie ahead. No independent firm on Wall Street can have escaped the hungry eyes of somebody.

The excitement stems from a number of shifting things which—like a kaleidoscope—have suddenly come together to form a new pattern.

Many people have realised that all those separate financial services — insurance, credit cards, stockbroking, home loans — can be pulled together—to use the retail analogy—into one great supermarket. This is still a perception rather than a fact because none of the mergers has had a chance to prove it works. But the idea is immensely appealing. Moreover, the technology now exists to make it all happen. To cap matters it appears that the Reagan Administration, which is keen to foster gains in efficiency, will not object.

The mergers that have taken place so far fall into two distinct categories. The first, exemplified by American Express-Shearson, aims to bundle together a whole shopping bag of consumer services and market them through outlets in most Main Streets in the U.S.—and abroad if possible too. The second, like Phibro-Salomon, creates a kind of super-trading operation with the know-how to handle virtually every commodity, including money.

The earliest merger in the first category was the Prudential Insurance company's $385m takeover of Bache group, Wall Street's eighth largest investment firm. Ironically, it was a defensive merger: Bache was trying to escape the clutches of another unwelcome suitor. But it gave everyone else ideas.

"We didn't realise we would kick off such a wave," said Mr Harry Jacobs, Bache's chairman. The deal attracted sceptical comment because it was arguably a mismatch between a lumbering buyer of securities and a nifty seller. But six months into the alliance Mr Jacobs is full of enthusiasm.

"It has given us a lot more security than we would have had otherwise. It's allowing us to build up the business without having to adjust to every up and down. We've been able to attract a lot of top people and get some joint ventures going."

In their brief time together Bache and the Pru have launched a mutual fund which will be sold by Pru salesmen as well as Bache. Some of the Pru's *insurance* products like tax deferred annuities which will appeal to investors will be sold by Bache. The two will also market property and energy tax shelters.

But Mr Jacobs says the real impact will not show through quickly. "The synergy will be measured over a period of years," he said.

The American-Express-Shearson and Sears Roebuck-Dean Witter Reynolds mergers offer even greater possibilities, given that the parent in each case already has a strong position in many markets. But the key to all these deals will be the customer account.

In each case, the idea seems to be to allow the customer to charge as many services as possible to his account, tying in the products of the whole group. But that is only half the story. The account will itself be plugged into the broking firm which will invest any surplus in mutual funds or stocks. The day may not be far off when an American Express-Shearson client will be able, with a single call, to sell 200 shares of General Motors to pay for a package tour to Europe.

Mr Lou Gerstner, American Express' vice-chairman in charge of travel-related services, insists, though, that the group's customers will still deal with specialists rather than one-stop salesmen.

"We lay stress on the customer relationship" he said. "Customers will deal with different people depending on what service they are buying or whether they want investment or tax advice." As at Bache, though, American Express will market some of Shearson's investment products, and Shearson clients will be offered American Express credit cards and other services.

The Phibro-Salomon kind of arrangement, which includes Goldman Sachs-J. Aron, Donaldson Lufkin Jenrette-ACLI and Bechtel-Dillon Read, focuses by contract on the trading side. "Capability"—and the more the better—is the aim here.

Phibro - Salomon brings together one of the world's leading traders in hard goods (metals, oil, commodities etc) and one of its leading dealers in that greatest commodity of all, money. The architects of the merger, Mr David Tendler at Phibro and Mr John Gutfreund at Salomon, see enormous opportunities to finance commodity-based deals, including mining and agricultural projects, where the financing might involve complex borrowing and foreign exchange arrangements.

The Bechtel-Dillon Read merger provides a variation on the theme Bechtel is one of the world's largest engineering companies; with Dillon Read it will be able not just to design and build factories and plant but arrange the financing "in-house" as well.

The mergers wave has not delighted everyone, of course. Many people, traditionalists and freewheeling traders alike, bemoan Wall Street's declining independence not just for sentimental reasons but because they fear it will affect its performance. Financial conglomerates run a greater danger of conflicting interest or of being hobbled by internal wrangles. Some feel brokers should, almost by definition, be free-standing entities.

The mergers also underscore a trend on Wall Street—the shift away from specialisation. Although dozens of firms still exist with special market niches, they tend to be small. All the big firms are now pushing for as broad a range of services as they can master. Only a few patrician firms like Morgan Stanley and First Boston have been able to stand aloof.

The typical large Wall Street firm would now have to be able to offer at least the following to be self-respecting: brokerage, corporate finance, mergers and acquisitions, committies, research and international spread. Many would add insurance, mortgage finances, property brokerage, tax services and even credit cards.

Such is the appeal of the financial service business now that more takeovers are confidently predicted.

"Anyone who doesn't own stock in E.F. Hutton just doesn't want to make money" said one executive, referring to one of the few remaining large publicly quoted firms. The others—for various reasons less likely candidates—are Merrill Lynch (too big), Paine Webber (already part-owned by INA) and First Boston (tied in with Credit Suisse).

In the long run the most significant point about the shakeout may be what is not happening: the commercial banks are *not in the bidding because they* are barred by law from entering investment banking.

This law may well be changed in the years ahead. But by then it will probably be too late; all the worthwhile firms will have been grabbed. They will have no alternative but to start from scratch, which will leave them far behind the starting line. But for the time being this is a source of great relief on Wall Street where the last thing people want is for a $100bn banking giant like Citicorp to muscle in and spoil the fun.

D. L.

THE NEW FINANCIAL CONGLOMERATES

Merger partners	Value of merger ($m)	Capabilities
American Express—Shearson	915	Stockbroking, mutual funds, investment banking, international banking, insurance, charge cards, travellers cheques, travel services, cable TV, data services, publishing, mortgage banking
Prudential—Bache	385	Stockbroking, investments, commodities, insurance, mutual funds, tax shelters
Sears Roebuck—Dean Witter Reynolds	600	Merchandising, insurance, savings and loans, real estate brokerage, construction, consumer credit, stockbroking, investment banking
Phibro—Salomon Brothers	550	Commodities trading, worldwide investment banking, market making in investment grade securities, research
Donaldson Lutkin Jenrette—ACLI International	42	Stockbroking, investment banking, securities trading, commodities, institutional and individual money management
Goldman Sachs—J. Aron	not disclosed	Worldwide investment banking, securities sales and trading, individual investing, real estate, commodities, research
Bechtel—Dillon Read	not disclosed	Engineering, construction, energy, investment banking, securities

Long debate on reform

The shake-out in the New York financial services industry has stoked up the long-running debate about the need for reform of U.S. financial law, which sharply limits the banking industry's ability to take advantage of the new opportunities opening up. David Lascelles reports the views of four leading figures involved in the debate,

NEW YORK STATE SUPERINTENDENT OF BANKS

Muriel Siebert

Ms Muriel Siebert — "would like to see some fast action"

LIKE MOST U.S. officials with responsibility for the soundness of the banking system, Ms Siebert is basically in favour of bank law reform because she sees U.S. banks suffering severe handicaps. But she is also concerned lest the reform process itself create new problems. So she is advocating reform plus Government help if needed.

"I would like to see some fast action," she said of the bank hearings now going on in Washington. "I don't think it's good business to allow super-financial institutions to be created without allowing the banks into the same game."

Ms Siebert believes that banks will win the right to sell mutual funds and underwrite municipal revenue bonds in the near future. She also favours movement towards nationwide banking and deregulation of interest rates, provided it is carried through carefully. International Banking Facilities have had her support from the start and she seems less worried than the Fed about the "leakage" problem. "We should be able to watch that," she said.

Having just rescued a large New York savings bank from collapse Ms Siebert's main concern at the moment is to shore up confidence in the New York banking system. But even though interest rates appear to be easing she expects to see more banks in difficulty in the months ahead.

PRESIDENT OF THE SECURITIES INDUSTRY ASSOCIATION

Edward O'Brien

Mr Edward O'Brien—not opposed to a broad review"

WALL STREET, while enjoying many of the benefits of the new appeal of the financial services industry, is also fighting a vigorous battle to keep the big commercial banks off its turf.

Mr O'Brien has been lobbying strongly in favour of the Glass-Steagall Act which creates the dividing line between commercial and investment banking, arguing that banks would suffer a conflict of interest if they both lent to companies and underwrote and traded their securities. His worry is that Glass-Steagall will be picked to bits to settle isolated questions. "We are not opposed to a broad review of bank legislation if this will help establish the roles of different financial institutions," he said.

Nevertheless, the SIA feels on the defensive and it recently shifted its ground to concede banks the right to underwrite a certain type of municipal bond. Mr O'Brien says, though, that the SIA will continue to resist what it considers to be attempts by banks to stretch the law, as in their recent entry into the commercial paper market.

CHAIRMAN OF CITICORP

Walter Wriston

Mr Walter Wriston — "unlevel playing field"

MR WRISTON has spearheaded the New York banking industry's efforts to persuade government at both state and federal level to reform bank law and allow banks to go into new lines of business and open branches nationwide. He complains that banks are bing made to play on "an unlevel playing field" against unregulated competitors like insurance companies and stockbrokers.

He recently testified to the Senate Banking Committee: "Banks bear serious competitive disadvantages, like the cost of reserves and insurance and the impact of outdated legal and regulatory constraints, in their serving large corporate customers—'big business,' if you will. Literally billions of dollars of business are bypassing the domestic banking system—not because banks are unwilling to compete but because regulatory burdens often make alternative sources less expensive and more adequate.

"Yet it is when it comes to individuals, consumers and small business that the laws realy cripple the ability of banks to compete, and in this we are falling far behind."

CHAIRMAN OF AMERICAN EXPRESS

James Robinson

Mr James Robinson — "strengthening the financial market place"

AMERICAN EXPRESS, one of the biggest players in the recent merger game, is now in the stockbroking as well as the credit card, cable TV, travel, finance, insurance, travellers cheque and banking businesses, making it possibly the most widely diversified financial conglomerate in the U.S. and the object of the banking industry's envy and ire. Recently Mr Robinson braved that ire by accepting an invitation to address the annual convention of the American Bankers' Association in San Francisco.

Companies like his, he said, were not trying to challenge the banks but were responding to consumer demand for better financial services. He also argued that the new financial conglomerates and the banks could well survive side by side.

"If our country is to grow, our people must save and invest. That means they must continue to have confidence in the institutions that serve them. A strong and healthy deposit-taking banking system is absolutely essential. Equally important is an efficient market place in which equity and debt capital can be raised and sold. I believe our own merger with Shearson is symbolic of the strengthening of the financial market place. It's a small part of a larger movement which will do much to change our environment from one that endangers growth and investment to one that engenders it."

Financial futures a rising force

"IN ONLY five years time futures contracts on financial instruments have become a dominant force in an industry whose U.S. origins date back to 1848. Today nearly 40 per cent of all U.S. futures trading occurs in the financial instrument area."

This is how Mr Lee Berendt, executive vice-chairman of the New York Commodity Exchange (Comex), recently described to the International Chamber of Commerce the dramatic growth of financial futures trading in America in the last few years, with the increase in the volatility of U.S. interest rates, the old principle of hedging in commodity trading was extended into the financial field. And although Chicago set the ball rolling early in 1975 when the Chicago Board of Trade started trading futures contracts on Government National Mortgage Association Certificates, better known as Ginnie Maes, New York soon joined the fray.

The two main New York commodity exchanges—Comex and the Mercantile Exchange—started offering futures contracts in various financial instruments. The American Stock Exchange (Amex) opened a futures market in September 1978 offering contracts in Ginnie Maes and 90-day Treasury bills. In August last year the New York Stock Exchange opened its commodity futures market, the New York Futures Exchange (NYFE).

Financial futures were billed as the biggest game in town. After all, they offered speculators the possibility to gamble for quick profits at the same time as offering the cautious investor a hedge to protect himself from the turmoil of the money markets. But despite numerous and repeated efforts to promote New York as a leading centre for financial or interest rate futures trading, the city has always lived under the shadow of Chicago and its two dominant commodity exchanges—the Board of Trade and the Chicago Mercantile Exchange.

The fact is that despite the boom in financial futures trading very few contracts have turned out to be success stories. Indeed since 1975 there have been 30 financial futures contracts approved for trading by the Commodity Futures Exchange Commission (CFTC), the government agency which regulates futures trading in the U.S.

Of these thirty contracts, only three, the Ginnie Mae, the Chicago Mercantile Exchange's 90-day Treasury bill contract and the Board of Trade's Treasury bond contract have been successful. As Mr Berendt put it, there have been all told "27 losers in 30 tries where financial futures contracts are concerned." Among the losers are 12 unsuccessful currency contracts, five inactive T-bills or T-note contracts, three inactive Ginnie Maes and two near-dormant commercial paper contracts.

Winner

Chicago has so far emerged as the clear winner in the financial futures business. It is hardly surprising. The City has traditionally played a dominant role in commodity trading. The Chicago market has generally been more liquid and the success of the two exchanges with the Board of Trade's Treasury bond contract and the Mercantile Exchange's Treasury Bill contract have given Chicago an additional edge.

In contrast, the New York exchanges have struggled. Amex's American Commodity Exchange proved a failure and has since been absorbed by Comex, which started a financial futures market in October 1979. But Comex's fortunes in financial futures have also been disappointing. The New York Mercantile Exchange has for its part not had too good a time with financial futures. The New York Futures Exchange, announced with such a terrific fanfare barely 14 months ago, has now agreed to join forces with the Chicago Board of Trade in an attempt to restore itself to life.

The agreement between NYFE and the Board of Trade, which must still be formally approved by the Chicago Exchange, is perhaps the most interesting development in the financial futures business this year. It basically involves linking electronically the two exchanges to allow a member of one exchange to execute, through a member on the floor of either exchange, trades in financial futures, currencies and metal contracts which have been or may in the future be approved for trading on either exchange. Moreover, the Board of Trade will assume the entire clearing process for trading effected on the floor of the NYFE.

Many members of the Chicago Board of Trade are critical of the agreement. But others see it as giving Chicago an important foothold in New York. It is also seen consistent with the general trend in the U.S., which is seeing financial houses and commodity firms increasingly joining forces. This trend was recently highlighted by a number of Wall Street consolidations such as the merger between Salomon Brothers and Phibro, followed by the merger of Donaldson Lufkin Jenrette and ACLI International and the merger between Goldman Sachs and J. Aron.

At the same time the agreement is also regarded as an attempt by both the Chicago Board of Trade and the NYFE to compete against the Chicago Mercantile Exchange's CD contract. Although NYFE was the first exchange this year to trade a CD contract, the Chicago Mercantile Exchange has subsequently taken the lead in this field, also at the expense of the Board of Trade, which has a CD futures contract of its own.

Promising

The agreement will also give the Board of Trade access to the NYFE's proposed futures contract based on an equity index. Indeed so-called equity index futures, which have been proposed for trading by several major U.S. exchanges, are generally regarded as having a promising future. According to Mr Berendt "equity futures will provide money managers with the ability to extract the effects of overall market movement from the performance of their portfolios, while providing speculators with an inexpensive way to participate in the stock market."

Despite the difficulty of developing successful financial futures contracts, the exchanges have some 28 new financial futures contracts in the pipeline, including 18 based on various common stock indices, four T-bill contracts, three Eurodollar contracts, a 25-year corporate bond proposed by NYFE and a long-term Treasury bond. But as Mr Berendt put it: "Despite the hit-or-miss record of new product development in the U.S., it is a clear fact that between financial futures and gold most of the trading in futures today is in products which were introduced less than a decade ago. So new product development will remain of necessity a vital area of importance to every major futures exchange."

Paul Betts

Office building boom taken as hopeful sign

TO VISITORS New York looks like a boom town. It is hardly possible to walk two blocks in the midtown area of Manhattan without being diverted to some makeshift pavement around a construction site; the situation is not much different in the downtown Wall Street area.

This building boom, which will add 20m square feet of office space in the next five years, is in some respects misleading, however — as are the more extravagant claims of the administration of Mayor Edward Koch, who last month was re-elected for a second term in a landslide victory in which he was the chosen candidate of both the major political parties.

The truth is that although New York's 1975 fiscal crisis is a matter of history, the economy of the city is still in transition from manufacturing to services — a process in which international banking and now the new offshore banking centre will play an important part.

But these forms of transition, inevitable and even desirable though they may be, do not come without pain. A recent report showed that of the 135,000 jobs created in New York since 1976 134,600 were in the borough of Manhattan. The poorer boroughs of Queens, Brooklyn, Staten Island and the Bronx did not even get the crumbs from the table. Nor do these other boroughs forget that between 1960 and 1975, in the slither towards fiscal calamity, New York lost 600,000 jobs.

It goes without saying that the construction boom, apart from offering short-term jobs to labourers who live outside Manhattan, is itself confined to the glamorous parts of the city that visitors visit. At the last count there was just one office building project outside Manhattan.

These basic figures help explain why, despite the Koch landslide, there is still a deep economic and political unease at the heart of this city. It is an anxiety made worse by the fact that several of the city's basic services, notably its police force and its mass transit system, are visibly deteriorating under the burden of years of neglect.

Serious crime last year in New York was up 16.5 per cent. The number of arrests fell by 5.3 per cent. Mass transit, just about everyone now agrees, is a disaster. Despite a 50 per cent increase in fares in the last year the record of breakdowns, delays and the physical condition of trains and buses continues to get shockingly worse.

The reason that these facts do not generate more alarm is that New Yorkers have grown used to them and are, therefore, inclined to focus on things which are getting better—the performance of the city's schools, for example, the building boom and the fact that last year, for the first time since the fiscal crisis, the city had a budget surplus. This enabled it to return to the bond markets to borrow money, albeit at premium rates because of the still low grading its bond issues bear.

These items of real progress encourage New Yorkers, egged along by their persuasive and popular Mayor, to believe that the process of change will eventually touch on some of these more basic problems.

Cosmopolitan

The city, moreover, obviously has a lot going for it. The exodus of corporate headquarters during the fiscal crisis has been reversed, more or less. The city is still a wonderful place for tourists, although last year's 17.1m visitor total was down from the record 17.5m in 1979 because of the appreciating dollar. As a cosmopolitan base for the international businessmen needing recourse to the world's most sophisticated financial system it remains without equal.

Business has been encouraged too by a general drop in levels of taxation in the last three years. On a per capita basis taxes now take about 10 per cent of income, down from over 11 per cent, although some of the tax breaks granted to the construction industry are starting to be wiped out under political pressure. There is also the awareness that areas like Madison Avenue between 45th and 60th Streets are now impossibly overbuilt in terms of the provision of transport and other services in the area.

Looking ahead, there are signs that the property boom has started to taper off, with price cuts reported in the residential sector and a sense that even the very tight office market (with a vacancy rate of 2 per cent) is ready for a period of consolidation.

With prime office rents now between $35 and $55 per square foot, it is interesting that neither of the two largest deals in the pipeline—the $1.5bn sale of the World Trade Centre by the Port Authority and the $500m asking price by General Motors for its Fifth Avenue tower—has yet produced a bid.

GM's price amounts to $312.50 per sq ft, a very considerable advance on the $178 per sq ft Pan Am got for its famous building 10 months ago—although other buildings closer to the GM tower have pierced the $300 per sq ft barrier.

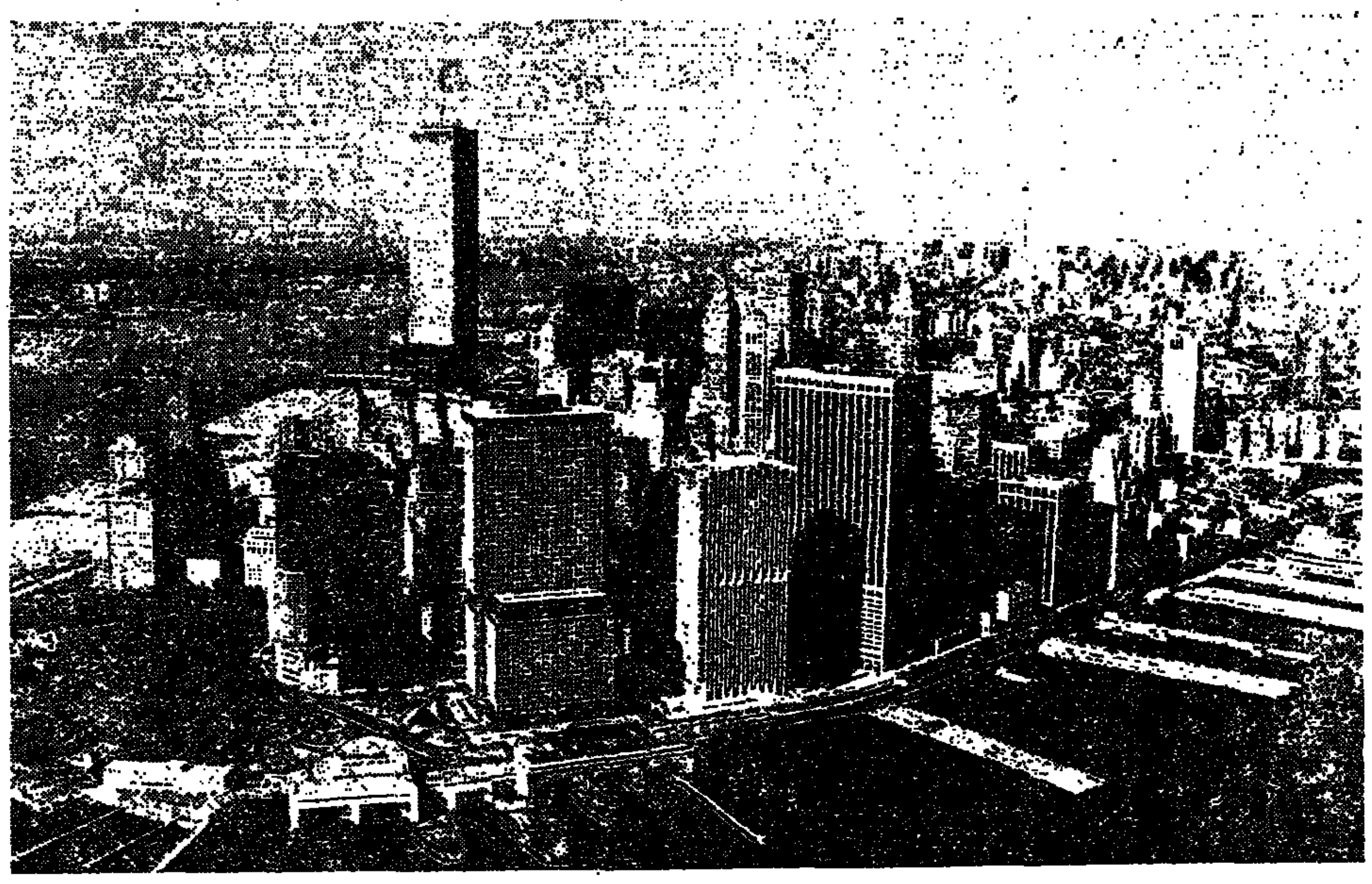
The early arrivals from that 20m sq ft of extra space, coupled with the effects of the national recession, might well be enough to turn a hesitant market.

In broad economic terms the city is now running neck and neck with the national average on price inflation (up 10.2 per cent from October 1980 to October 1981), carrying an unemployment rate of 9.3 per cent compared with the 8 per cent national figure and still struggling to offset the loss of manufacturing jobs in such areas as textiles and light engineering against the gain in services and construction.

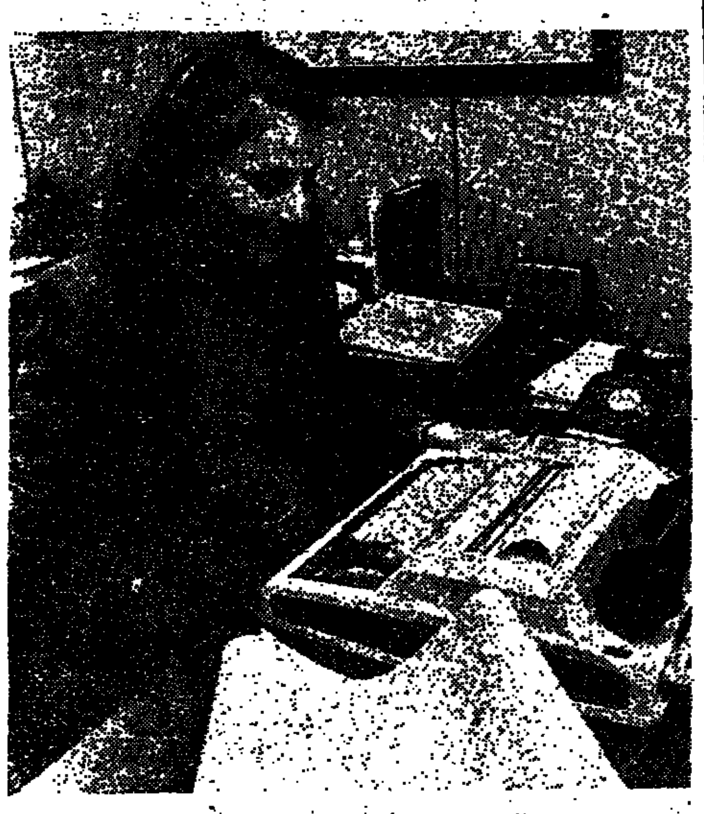
These unemployment figures are even worse if account is taken of the shrinkage of the city's population, which the 1980 census put at 7.1m, down from 7.9m a decade earlier.

New York has always been a city of economic contrasts. Nothing that has happened in the last five years suggests that this state of affairs is about to change.

Ian Hargreaves



Lower Manhattan — dominated by the World Trade Centre, up for sale at $1.5bn



Part of the technology fostering change—a Bankers Trust cash connector which allows customers access to financial information from the bank's computer via the public telephone system

Financial Surveys in the FT

Between now and the end of the year FT surveys will be examining developments in key financial areas.

Nordic Banking, Finance and Investment

High interest rates have taken over in a traditionally low interest area and foreign borrowing has become a way of life. How are the Nordic countries coping?

Mexico: Banking, Finance and Investment

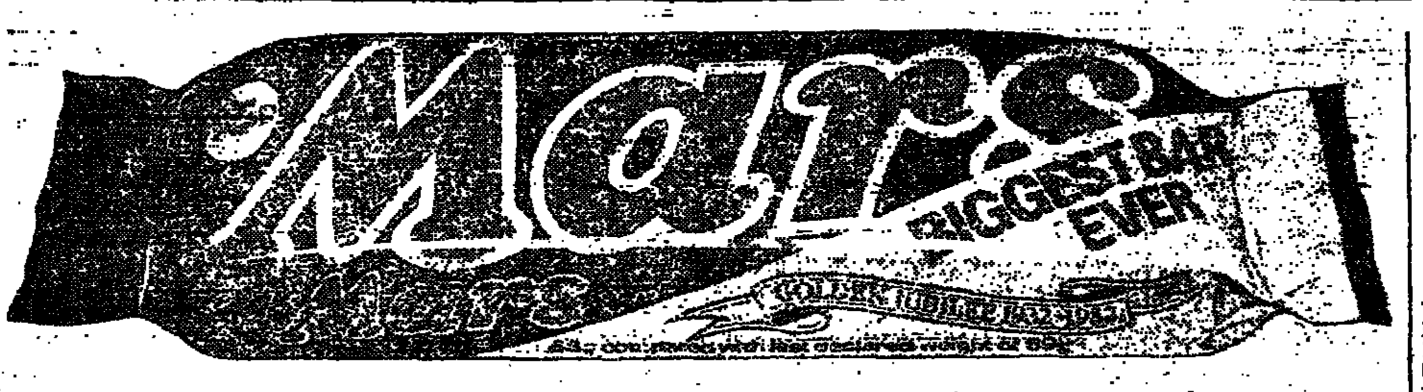
Mexico's oil wealth has made it a magnet for the international banking community. What strains will the developments place on the economy?

Japanese Investment in Europe

Japan is establishing an increasing number of offshore manufacturing bases. How European countries are responding to these investments.

THE MARKETING SCENE

BY MICHAEL THOMPSON-NOEL



The great Mars Bar saga

Even more than meets the eye

THERE IS even more to the great Mars Bar story than at first seemed apparent.

The Mars Bar's status as a cult-ingot was established in the FT's Lombard column on November 24.

But there is an extra layer to it all, for it now transpires that UK sales this year of Mars Bars have soared by 30 per cent. Which means that current sales are running at almost 700m bars *a year—more than 13m per* week—worth almost £100m at RSP.

What is more, from January 1, an even "bigger, better bar" will make its bow when Mars, as part of its golden jubilee celebration, ups the Mars Bar weight from 59 grammes to 68 grammes while pegging the retail selling price at 15p.

As Nicholas Colchester explained in Lombard last week, the Mars Bar is a currency of our time: a basket of staple commodities (cocoa, vegetable fats, milk solids, sugar) that is *packaged with the greatest con*sistency and sold in the form of an ingot.

As such, he wrote, it was a *reliable unit of account*—certainly more reliable than gold.

What has become additionally clear, *from contact with Mars* HQ at Slough, and with its advertising agency, is that the brand, Britain's biggest-selling confectionery item, is now *enjoying record volume*, even though it has been on sale for well-nigh half a century.

Mars is usually hyper-shy, but marketing director Paul Curtis said this week that Mars itself, which makes great use of econometric analysis, attributes the brand's great-leap-forward to a classic marketing ploy whose "key parameter was value."

First, in a bid to restore the *brand's platform of value-for-*money, the declared weight of the Mars Bar was raised from 53 grammes to 59 grammes last January 1.

Secondly, to punch home the message, it upped the Mars Bar's advertising spend, from *£1.38m in the year to September* 30 1980, to £2.26m in the following 12 months, according to Media Expenditure Analysis figures.

At £2.26m, which at the Mars Bar retail exchange rate is rendered as MB 15.07m, it *outspent rivals like Cadbury's Star* Bars, MB 10.2m, and Rowntree's Cabana, MB 10.7m (to say nothing of Rowntree's Yorkie, MB 8.4m) — though *not* Cadbury's Dairy Milk, MB 15.74m.

Total spending in the chocolate confectionery category in the year to September 30 1981 was £45m (MB 300m), against £30.6m a year earlier — a significant advance, probably Mars Bar-led, of MB 96m, which *underlines the furious tussle* in this market.

Without trying to be reticent, Mr Curtis admits that the great cult-ingot has left Mars "very satisfied at the profit level."

The Mars Bar agency for the full, half-century has been D'Arcy-MacManus and Masius, whose chairman, David Lee, says: "The bigger bar provided us with a means of reinforcing the basic qualities of the brand. *It is far better to give consumers more for their money* than to charge less for the same." (Masius handles numerous other Mars brands, too).

"Moreover, when you improve the product, you must tell consumers about it. Nationwide Building Society (another Masius client) would not have improved its recent performance in the way it has if it had not heavily advertised its new investment schemes."

At face value, says Mr Lee, such a view could be regarded as simplistic, since it seems to belittle the role of "creativity" in advertising.

However, he says many successful advertisers seem to *adhere to the "straightforward* approach," and while it is doubtful whether the advertising of companies like Mars, *Procter and Gamble, Pedigree* Petfoods or Lever Brothers would win many creative awards, "there must be many companies who would willingly swap their advertising trophies for the sales successes these companies achieve."

He says the common feature of this type of advertising is relentless emphasis on product value.

Mr Lee reckons that value means a combination of product *quality, price, and advertising.*

"The product benefits that the consumer perceives are linked with the advertising, providing it is strongly branded. Skol lager (owned and distributed by Allied Breweries) is a case in point.

"It is a standard lager, sold at a standard price, the only added ingredient being the Skolars campaign. Skolars has increased Skol's share in an intensely competitive market by a substantial amount, whereas previously the brand was in decline."

The campaign, costing around £3.5m, emphasises a friendly pub atmosphere and has increased through-put per tap by approximately a third in three years. Despite a very sticky market, Allied increased its beer profit to £34.7m, at the half-way stage, as revealed on Tuesday.

Other Masius clients include Beecham, Colgate, the Co-Op, Harveys of Bristol, Laker, McDonald's, Mobil, Pedigree, RHM, Talbot and Weetabix.

Masius's total billing this year will be £88m—or rather, MB 587m.

Regional dailies in 'long-term decline'

THE REGIONAL daily Press in Britain is in long-term decline. In constant 1980 terms, combined revenues of regional daily newspapers could be more than a tenth—perhaps nearly 30 per cent—lower *in 1985 than in* 1980.

Their main competitive pressure: the growth of free sheets, *(give-away publications)* whose revenues in current prices could be as high as £180m annually by 1984.

These are the main forecasts in a study of the UK regional daily Press, with special emphasis on evening newspapers, published by Admap today.

Its author is Harold Lind, formerly director of research at the Advertising Association, in London, and now a consultant.

Other forecasts:

- 1981 will be worse for regional dailies than last year, though recovery should begin by late-1982. By the end of 1984, however, the economic background will have worsened, and 1985 will be a year of "severe depression" for revenues.
- Circulations of paid-for regional daily papers will *fall* more heavily over the next few years than at any time in the past 40.

On an indexed basis (1980=100), he expects total UK advertising revenue to fall to between 95 and 99 in 1982; to *recover* to between 100 and 108 in 1983; and to fall away again, to between 81 and 94, in 1985.

For the regional dailies, his *forecasts* are that indexed revenue (1980=100) will fall to between 92 and 96 in 1982; recover to between 95 and 104 in 1983; and fall to between 73 and 89 in 1985.

"After 1985," said Mr Lind yesterday, "all manner of complications on the electronic media front, notably the progress of Channel Four, start to disrupt the calculations."

MARKETING SOCIETY CONFERENCE

Winners and losers

BY WINSTON FLETCHER

IT WOULD have been a pleasure to report that last week's Marketing Society conference in London was the biggest and best ever. Yet while it was the former, it was certainly not the latter.

Perhaps the sense of disappointment was inspired by the performance of two of the leading guest speakers: Peter Jay, chairman of TV-AM, and Detta O'Cathain, a marketing adviser to the Minister of Agriculture. Judging the sophistication of an audience is always tricky, and neither succeeded.

Which was a pity, because Prof Hywel Jones, of the Henley Centre, who had been invited back to open the conference for a second year, had launched the day splendidly.

His speech was provocative, amusing stuff. However, lest any of the 600 delegates complain that the speech was in any sense lightweight he provided each with an 80-page report positively bulging with data, *formulae*, and appendices.

As usual, the conference was devoted to an artifical and rather gauche theme; this year's motif being based on chess.

However, Prof. Jones, who loves a good analogy, argued convincingly that a far better model of competitive reality would have been seven card stud.

Stretching the comparison a little painfully, he went on to *liken Britain's economy in 1981* to a poor deal with even worse cards to come.

His message was all too clear. *Even with the poorest cards,* good players manage to win: even in the hardest times, good managers win the play.

It was a thesis adopted initially, by Mr Jay. "The great alibi," he said, "the great excuse of bad business managers, is to tie their fortunes to national trends."

Unhappily, that was the most profound thought Mr Jay profferred to his initially attentive listeners. As chairman of TV-AM, he might have been expected to address himself to the controversy concerning the likely number of viewers he hopes will tune-in. (Prof. Harry Henry, it is widely known, has predicted a total UK breakfast-time television audience not much larger than that of Channel TV).

Mr Jay might, on the other hand, have shared with the Marketing Society his ideas on programme planning; on the differences between television and the Press as morning news media; on why TV-AM rather than its competitors won the franchise; on any number of interesting and relevant subjects.

Peter Jay, chairman of TV-AM: digressions on a theme.

Instead, he expounded at length on the unoriginal and uninspiring organisational structure of his new company, and upon its headquarters in Camden Town. Rarely have I seen an eager audience so deflated, so quickly.

By the time Barratt Developments' sales and marketing director, John Swanson, reached the lectern, the audience was soporific. *Nor was Mr Swanson's* humdrum style enough to awaken them, which was a pity, because his content was unusually interesting.

Barratt's innovative and dynamic marketing approach is that of the inspired amateur. Its oak tree symbol, its famous helicopter, make little sense in terms of conventionally logical communications strategy. Yet patently they work wonderfully

Turkey-grower Bernard Matthews, in turn, is an entrepreneurial risk-taker.

His development of turke[y] derivatives — *Turkey burger[s]*, Turkey sausages, even gammo[n] turkey—to the point where onl[y] 25 per cent of his company['s] turnover is now in whole bird[s] has been ingenious and imag[i]native, while his ability to pe[r]suade housewives to try h[is] strange products, throug[h] packaging and advertising, h[as] been exemplary salesmanship.

Housewives now buy son[e] 750,000 of Mr Matthews's turk[ey] products weekly—sales whi[ch] have been achieved, one ca[n] bet, without the aid of steri[le] planning of the sort advocat[ed] *at the start of* the afternoo[n] session by Ms Detta O'Cathai[n].

Grossly underestimating th[e] percipience of her audience, sh[e] treated them to a sixth-for[m] lecture on the role of plannin[g] in industry while managing, a[t] the same time, to twine h[er] clichés into a tangled skein th[at] inherently *contradicted* th[e] arguments in favour of plannin[g] she was promulgating ; s[o] simplistically.

It was with relief, therefor[e] that delegates turned the[ir] attention to the two final disse[r]tations of the day, which cam[e] from mere practising ma[r]keters: Charles Auld, managin[g] director of Spillers Foods, an[d] Michael Baulk, managing dire[c]tor of advertising agency Ogilv[y &] Mather.

Mr Auld, whose speech wa[s] the only one of the conferenc[e] to deal with a particular an[d] precise problem, investigated i[n] depth the consequences for th[e] retail trade of bar-coding an[d] laser scanning.

"I cannot find any one aspe[ct] of my business which will n[ot], to a greater or lesser degree, b[e] affected by the operation an[d] manipulation of scanning data," he said, before cautiously offe[r]ing some hypotheses as to wha[t] such aspects might be.

Winston Fletcher is managin[g] director of Fletcher Shelto[n] Delaney.

Interlink goes, Lopex denies retrenchment

INTERLINK has disappeared from the London agency scene, its major accounts being consolidated into Kirkwood's. Lopex, the parent company, describes the move as "rationalisation" and denies it is retreating.

Clients, said Lopex deputy group chief executive John Castle, increasingly preferred to deal with "bigger units." The move, he said, would give Kirkwood consolidated 1982 billings of around £18m.

Lane Advertising, also part of Lopex, gains some of Interlink's specialist accounts, and forecasts 1982 billings in excess of £5m.

But Interlink recently lost business and personnel, and the Lopex move reflects the pressures on many UK agencies—particularly those caught in the middle between the international networks at the top, and the aggressive breakaways and independents at present making almost all the running.

- THERE ARE four, not two, *publicly-quoted UK* advertising agencies (this page last week). The others, in addition to Geers Gross and Saatchi & Saatchi, are the Brunning Group and Harrison Cowley (Holdings).
- ALLEN THOMAS, creative director at Davidson Pearce, has been appointed vice-chairman.
- PHILIPS MAJOR APPLIANCES is planning a £3m campaign via *Ogilvy & Mather over* the next 12 months, including a £1m push for its micro-wave ovens.

THE ARTS

Wigmore Hall

Gabriele Fontana

by MAX LOPPERT

At a late stage in the competition for the 1980 winner of the Richard Tauber Prize, a young Innsbruck soprano, Gabriele Pietschnigg, stepped on to the Wigmore Hall platform; the rigours of the afternoon immediately faded; and choice of winner became embarrassingly easy. She had charm, delightful looks, a soprano in warm, full bloom, musical vitality, and a personality of captivating freshness. A year later, Miss Pietschnigg has changed her name, spent time at the Britten-Pears School in Aldeburgh, and sung opera, to much acclaim, in Frankfurt and Vienna. On Tuesday, she returned to give her winner's recital at the Wigmore Hall; the impression it left was still position, but rather more qualified.

In good English, letting slip only a handful of vowel misplacements Miss Fontana sang Purcell's "Blessed Virgin's Expostulations" two Haydn canzonets and in the second half the Britten-Auden cycle *On This Island*. The voice shone out appealingly notably towards the top but its use seemed too often imprecise its spread over the lines too carelessly generous—the specificity of detail that we look for in song recitalists was apt to be lost to view and the fullness of tone became even a slightly burdensome gift to the composers in question and to Mozart in two songs (in acceptable French and Italian). One doesn't want nuancing and underlining for in an unfinished young singer these tend in any case to be mimetic rather than natural arts; but one song came out much like another big-boned but rather raw of style.

Schubert, Wolf and Strauss lay more comfortably on the voice—not only was the language native but the feel for the colouring of the phrases seemed far more instinctive. But here one felt the especial difficulty of the singer's having to seek her ease above and alongside accompaniments of such ineffable heavy-handedness as Erik Werba provided (was this *really* the doyen of Lieder piano-playing the cultivated partner in so many Irmgard Seefried records of fond memory?). Miss Fontana's low notes are not streng but she does not try to force them; by the closing Strauss group of three the purling radiance of the upward-rising lines was at last displaying to the full her great and special promise.

Tricycle Theatre

Days Here So Dark

A short, dark prologue sketches a welter of slaughter, rape, and conquest on a tiny Hebridean island, ten centuries before the main action. An epic sound track, and a mood of narrowly comic archaism almost resurrects Kirk Douglas in a shaggy bear skin. But the Viking ancestory becomes increasingly pertinent and seriously felt as the past is gradually explained through the fears and superstitions of the present inhabitants. Contemporary parallels, British attempts to evacuate the crofters and the ultimate threat of military intervention, are worked in with considerable skill.

All the performers in the Paines Plough group deserve praise, though I would single out Kate Lock as the beady-eyed adolescent, tossed into emotional responsibilities she cannot comprehend while simultaneously silenced in her quest for understanding from ominously knowing elders. Like her cousin Rob she both yearns to escape and is inexorably tied to home. She loves to listen to, and share in, the stories of Lachie (Bunny Reed), a handsome giant in uncanny contact with the bloody deeds that shaped their lives, as well as an uncanny resemblance to the native chief Aspenborg, murdered by Norsemen a thousand years ago.

Excited by the conceptual edifice, I wished the whole affair had been offered on a grander scale. Writer Terry Johnson has created a miniature world on stage, the surest test of drama. However, I doubt whether this stage is entirely suitable. Events are played out on a raked central platform whose jagged edge recalls a piece of jigsaw rather than the patch of land it is presumably intended to represent. As the actors move on and off in apparently arbitrary fashion; the point is lost. A luminous silver-blue backcloth suggests the North Atlantic, but we are horribly conscious of the squared-off sides. This play, with its angry introspection and sense of siege, could be so effectively presented in the round.

No doubt, one should be thankful for any production of a new work by a relatively unknown and talented playwright. But spacial problems are not the only ones. It is hard to stomach the excess of sententious comments, and even harder to explain away at least two loose ends in the otherwise densely woven threads of plot and feeling. Whatever happens to the baby? And why does the death of a major character provoke so little grief? Or does he survive? History may leave its questionmarks, but there are simply too many around here.

ROSALIND CARNE

Imperial award on show

The second Imperial Tobacco Portrait Award is now on exhibition at the National Portrait Gallery along with the runners-up in this successful art sponsorship. The winner, announced yesterday, was Emma Sargent, a 21-year-old student at the Slade, for her portrait "Alone in a group—drinks at Milapote: Family and Friends." She receives £5,000 and a commission worth £2,000 to paint a portrait of a well-known sitter.

The second prize went to Rosalind Cuthbert who receives £750 for her portrait of the Rev. A. Grange and the third went to Ivy Smith for a portrait of Patrick Whitehead. The 53 best portraits from an entry of over 400 are on show at the National Portrait Gallery until February 28, 1982. The standard once again is very high, and the show will be reviewed on this page next Tuesday by Roy Strong.

Noele Gordon and Fiona Fullerton — Leonard Burt

Leicester Haymarket

Gypsy

by MICHAEL COVENEY

Noele Gordon, I am reliably informed, was last seen waving goodbye to her Midlands motel for travelling amnesiac thespians from the poop of the QE2. After 17 years of trying to knock that lot into shape, here she is as Mama Rose, starting all over again with her two daughters in a tatty vaudeville act.

Rose is a battling trouper whose faintly indecent kids' show is a thinly disguised surrogate for her own frustrated ambition. The 1959 musical by Arthur Laurents (book), Jule Styne (music) and Stephen Sondheim (lyrics) is a modern classic, a superbly crafted and integrated show with a knockdown star part chiefly associated with the voice of Ethel Merman. Eight years ago in London, Angela Lansbury solved the problem of the comparatively static second half with a sustained display of acting technique and accumulative bravura. Miss Gordon is a dragon alright, but she does not build the performance to the required pitch or dazzle. Once her second daughter has made it as Gypsy Rose Lee, she is left in an empty theatre to uncork all her bottled theatrical aggression. "Rose's Turn" is a phenomenal final number, but Miss Gordon is strangely reticent in the context of everything she has done before. Roger Redfarn's production just sags and crumples in a heap.

Her daughter's transfiguration, however, is superbly handled by Fiona Fullerton, whose progress from front half of a pantomime cow to sexy stripper is beautifully charted. Admittedly the strip itself could be more explicit (well, give a fellow a break) but her icy androgyne beauty, spellbinding in itself, is cleverly exploited by a flash of bare shoulder and a very well executed fan dance.

Things go with a real lick up to the interval, with the infant troupe bullied on from the wings as they cross America from Seattle to Los Angeles, from New York to Omaha. Rose is "a pioneer woman without a frontier," ruthlessly fixing deals and even spilling her penchant for Chinese food in the lap of a booking agent in the exquisite point number "Have an Egg Roll, Mr Goldstone." The sense of mobility in both action and plot is supported by a splendidly spare libretto and wonderful lyrics: the romance between Rose and Herbie (Paul Maxwell) is fully developed in "Small World" and "You'll Never Get Away From Me," both done with fine elision between dialogue and song.

The orchestra under Ian Smith's direction is game but haphazard, but the hilarious musical sketches stand up well and the highlight of the second act is a trio for strippers. Buster Skeggs scoring as a ludicrously butch, trumpet-blowing peeler. Terry Parsons' design includes an irrelevant Yuletide scena that detracts from Gypsy's coming out. If Noele Gordon finally stumbles, there is no questioning the pukka quality she transmits, or the power of a mezzo contralto voice that older playgoers will remember from *Brigadoon* and the national tour of *Call Me Madam*.

Sadler's Wells

Free Setting

With her new *Free Setting*, which opened Tuesday's programme by London Contemporary Dance Theatre, Siobhan Davies is on her best form. Here are all the qualities of elegance, unforced and spare writing, clear and purposeful movement, that distinguish her dance works at their finest. The mood is cool, and "cool" in the jazz sense as well. Design by David Buckland is a backdrop featuring pale, translucent blocks of colour, in front of which hang three perspex panels bearing *photographic images of dancers*.

Michael Finnissy's piano score contrasts fierce outbursts of sound, that beat across the stage, with still, contemplative passages of single notes. Five couples in clear, muted colours move, pause, are caught in freeze-frame moments that mirror the photographic positions, and pass on. The choreographic manner seems contemplative, even at its most dynamic: to say that the dances are cerebral might suggest something too analytical, yet the working out of the action, the statements of ideas and their responses, the parallels between groups of dancers, the inversions and canonic devices, are beautifully, subtly judged as patterns of movement.

There are fascinating sequences of double work, notably for Anca Frankenhaeuser and Philippe Giraudeau, Kate Harrison and Philip Taylor, and a culminating duet for the choreographer and Patrick Harding-Irmer which seems to me one of the best things Miss Davies has ever made. It includes a solo for Harding-Irmer that is like calligraphy: anyone who has seen the panels of characters in the Japanese Exhibition at Burlington House will recognise the way in which Harding-Irmer *seems impelled by brush strokes* of energy, curling, congealing, falling and rising, as the ink of movement sweeps on.

Siobhan Davies is a product of LCDT's willingness to encourage new talent from among its dancers. Tuesday's bill brought three pieces from the company's recent experimental workshops: a joke by Philip Taylor about a baseball player's fantasies, well danced by its choreographer; an exercise in what I take to be unhappy memories by Jayne Lee; and an angry comment upon the race laws in South Africa by Darshan Bhuller. They are exactly the sort of work young choreographers must do to learn their craft, but I am not persuaded that they do more than suggest possible talent for the future.

The evening ended with the return of Robert Cohan's exercise in myth, *Masque of Separation*, with its raucous score by Burt Alcantara, and its hectic symbolism. It is episodic, highly theatrical, and rather too much of its time — the mid-seventies — in its psychedelic, slightly flashy way. Patrick Harding-Irmer is tremendous as the heroic warrior hunted down by death, chaos and the nerve-tearing clatter of the score, and he justifies the revival by his expressive power and dignity with which he invests his role.

CLEMENT CRISP

Record Review

English traditions

by ANDREW CLEMENTS

Tippett: King Priam. Robert Tear, Thomas Allen, Norman Bailey, Felicity Palmer, Yvonne Minton, Philip Langridge, Heather Harper, London Sinfonietta /David Atherton. Decca D246D3 (three records)

Tippett: Symphony no. 4: Suite for the Birthday of Prince Charles. Chicago Symphony /Solti. Decca SXDL 7546

Blake: Violin Concerto; In Praise of Krishna. Iona Brown. Philharmonia/Del Mar; Teresa Cahill, Northern Sinfonia/Blake. Argo ZRG 922

Buller: Proença. Sarah Walker, Timothy Walker, BBC Symphony/Elder. Unicorn UNS 266

Although stage versions of his operas were conspicuous by their absence during Michael Tippett's 75th birthday celebrations, a concert performance of *King Priam* was more than adequate compensation. It was more than just a highlight of the 1980-81 South Bank season, for such a superb account of Tippett's least fashionable opera virtually re-established it overnight, forcing radical reassessment, and now the release of the digital recording made at the same time completes the process.

In the Festival Hall and on record David Atherton has insisted on presenting the complete opera, without any of the cuts made for Sam Wanamaker's 1962 Royal Opera production and retained ever since. Listening to the utter confidence with which the London Sinfonietta launches itself into Tippett's muscular writing, it's hard to believe that the string parts especially were once regarded as unplayable.

The initial fanfares — one of the most arresting openings to any 20th-century opera surely—have an immediacy that demonstrates both the dramatic focus of Atherton's reading and the virtue of having such a clean digital recording for an opera of raw, primary colours and lean textures. *Priam* sets any recording engineer some knotty problems: the pit orchestra must be balanced against on-stage fanfares; the solo guitar accompaniment to Achilles' songs must be as convincing as the largest ensembles. Almost all find an elegant solution here.

The dramatic weaknesses that were reputed to beset the opera have similarly disappeared under Atherton's urgent direction. What once seemed an astringent end-point in Tippett's dramatic technique, a singular response to the test of writing an opera on classical, heroic themes, can now be placed securely in the mainstream of his development, structurally as well as musically. The interludes separating the scenes of the outer acts, in which the *Nurse, Guard and Old Man and* latterly Hermes comment on the action, fulfil the same function as the filmic "dissolves" were to do in *The Knot Garden* eight years later; and the whirling compression of the second act is likewise a prototype for the central act of its successor, even down to the use of solo songs (for Achilles in *Priam*, Dov in *Knot Garden*) to reveal its emotional core.

If Achilles' songs—sung with enormous guile and beauty of tone by Robert Tear, a worthy successor to Richard Lewis's Covent Garden performances—are one of the opera's high points, the opening of Act 3 excels it. The trio for the principal women is one of Tippett's finest, most daring, creations, led here by Felicity Palmer's Andromache, more seductive even than Yvonne Minton's Helen, more authoritative than Heather Harper's Hecuba. The crystallisation of the opera's themes in this trio, its clear delineation of relationships and duties has a clarity that Tippett was to put to most eloquent use in *The Knot Garden* and to neglect most disappointingly in *The Ice Break*.

Here, however, is characterisation in abundance, with never a suspicion of two-dimensionality. Norman Bailey's Priam more than compensates for his occasionally uncertain tone with declamatory power and the ability to humanise the crucial confrontations, especially his nocturnal meeting with Achilles to bargain for the body of Hector. As Hector, Thomas Allen adds yet another formidable portrait to his gallery of English opera portrayals, genuinely heroic and unfailingly well sung. Philip Langridge is a lightweight Paris, perhaps more of a playboy of the eastern world than Tippett intends, so that the heroism of a kind forced upon him in the final act seems a shade unconvincing.

The strength of casting extends to the lesser roles also, with Ann Murray's Nurse, Stephen Roberts's Patroclus and Kenneth Bowen's Hermes ensuring there is never a weak link. Opera on record was dominated in 1980 by the release of the Sinfonietta's *Punch and Judy*, again conducted by Atherton; this *King Priam* equally promises to sweep all before it.

The recording of Tippett's fourth symphony is disappointing, not only in the performance itself but also in the coupling. When several of Tippett's important works would benefit from a new version (the piano concerto especially) to have the *Birthday Suite* duplicated (it's already available coupled with the first symphony from Colin Davis) is both nonsensical and inexplicable. It could hardly be described as first-rate Tippett, and it has no connection with the symphony on the other side. If some opportunist attempt to cash in on the Royal Wedding was intended (suspiciously it was only recorded in May of this year, 20 months after the symphony) the promotion of classical records has really reached rock bottom.

The frustration is made worse by the realisation that the fourth symphony does not represent Tippett at his best either. There have been suspicions about the quality of the work since its first performances; but to have them confirmed on record is depressing. Well as the Chicago Symphony Orchestra responds to Solti, it cannot disguise the awkwardness of much of the orchestral writing, or paper over the flaws in the patchwork construction. The electronic simulation of breathing that punctuates the work is the best answer so far to Tippett's requirements, but it remains a questionable device, a crucial failure of imagination from a composer who has never before failed to make his musical means equal his conceptions.

Far fewer problems on the most recent disc of music by David Blake, which pairs two of his most successful and approachable works. I confess to lack of sympathy to much of Blake's music, but make a glorious exception for *In Praise of Krishna* and a partial one for the violin concerto. The song-cycle, to poems taken from the Bengali, has an imaginative orchestration, a luminosity and succulence that disarm criticism, and the whole 23-minute cycle is woven expertly into a continuous whole; the vivid instrumental interludes between the seven lyrics have an authentic sense of exoticism without any suggestion of pastiche. The violin concerto too represents Blake at his most ingratiating: here he claims Italianate influences, from landscape and art.

The result is never remotely Italianate in feeling, but the earnestness of the violin writing does have a saving warmth and grace. There is still, however, a stiffness in the expression, something which *In Praise of Krishna* entirely avoids by its evocation of exotic passions in tranquil recollection. Blake may mistrust overt emotion, thinking it sentimental, but more of it in the violin concerto would give the work a charm that ultimately eludes it, despite Iona Brown's best efforts.

Evocation is also the stuff of *Proença*, which is an enterprising and deserving choice for a record. It has the distinction of being the most successful of the BBC's commissions in recent years. First performed at the Proms in 1977 and revived in the Festival Hall two years ago, after which this recording was made, it was the first demonstration to most of us of John Buller's command of large-scale form and of his unflinching ambition, for the subject of *Phocnça* is nothing less than a significant chunk of music history, the decline of the troubadour tradition in 13th-century Provence, viewed through settings of the lyrics of the troubadours themselves.

Buller binds together these settings with great skill and a musical language that owes a lot to the Berio of *Laborintus* and *Coro*; the result, however, is entirely personal. More than *The Theatre of Memory*, the Buller work first heard at this year's Proms, *Proença* convincingly sustains its length; there are few longueurs, and those are compensated for by some luscious orchestral effects and vocal lines. It is without question Buller's major achievement to date, and on this record receives a performance from Sarah Walker, Timothy Walker (*in the crucial electric guitar* solos) and the BBC Symphony Orchestra under Mark Elder that does full justice to the score's imaginative power.

Arts Council writers' bursaries

The Arts Council has awarded writers' bursaries to David Cook, Elizabeth Jennings, Derek Mahon, Julia O'Faolain, Salman Rushdie and Peter Vansittart.

The six bursaries are the first awards made under a new scheme to assist writers of outstanding talent to work on a specific project for a concentrated period of time.

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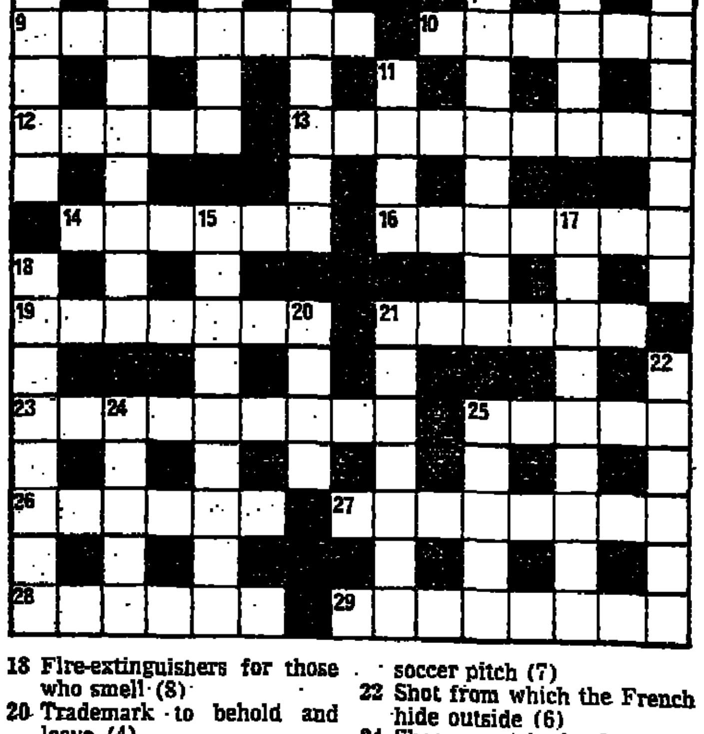


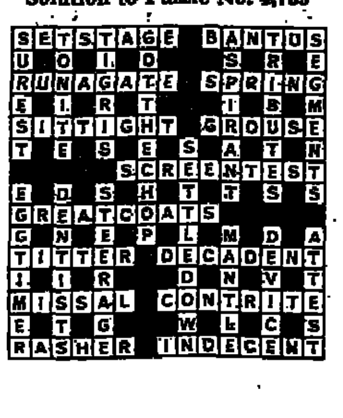
ACROSS

1 Tell a learner—it's unceremonious (8)
5 Animal remains in cake (6)
9 Rodents returned in time to slaughter (8)
10 Extract to cheer a ghost (6)
12 A rasher old English philosopher? (5)
13 Reliable perm we hear (5-4)
14 Deduce cause and motive (6)
16 Are most arrangements from this musician? (7)
19 Inconsiderable and so-called, but not in reality (7)
21 Medicinal herb consisting of one element (6)
23 Elaborate ornament for supporter to flaunt (9)
25 Boat to bump into (5)
26 Wit displayed by sprite when last comes first (6)
27 Work it back on a pound, but it's not compulsory (8)
28 Uttering a maxim (6)
29 Search for a possible customer in America (8)

DOWN

1 International Scout conference in a bad turn-up (6)
2 Resist the best cosmetic (4, 5)
3 An Italian novel (5)
4 Skilled worker producing a hybrid strain (7)
6 Whistled up a large quantity in airy hopes (4-5)
7 Rule of the sky that's normal when without direction (5)
8 Wrongly rent sole intermediate storey (8)
11 Troop in German tower (4)
15 Feeling it could be a great success (9)
17 Ability to endure a permissible range of variation (9)
18 Fire-extinguishers for those who smell (8)
20 Trademark to behold and leave (4)
21 One who cleans up on the soccer pitch (7)
22 Shot from which the French hide outside (6)
24 Shaggy article for baby (5)
25 Composer of happiness (5)

Solution to Puzzle No. 4,739



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Some questions unanswered

THE MOST telling, if not the most eloquent comment on the Chancellor's expenditure statement yesterday was heard not in the House of Commons, but in the financial markets. They did not react at all.

To be sure, the details had been pretty comprehensively leaked, in the modern fashion, but the leaks themselves caused little excitement, for effectively there is no new policy either to frighten or to embolden the markets. Under extreme political pressure, the Government has taken advantage of some unexpected buoyancy in revenue to yield a little to the pressures from the spending departments. As a result, the financial picture remains virtually unchanged.

Assessment

This means that the Chancellor hopes to achieve his targets for public sector borrowing for two successive years, marked improvement on earlier years. But it remains an open question how far neat budgeting is a substitute for an economic strategy.

The Treasury's economic assessment, issued at the same time, seems to assume that the stated monetary targets will be missed yet again this year, and displays some insouciance about the monetary prospect for next year; most of the discussion is concentrated on the exchange rate—projected unchanged on its weighted average from last month.

This could be read as a deeply significant change in official thinking, but it is not reflected in recent events in the markets. The authorities seem to have been much more concerned to stabilise interest rates than to stabilise either monetary growth or the exchange rate. If a new policy is indeed labouring to be born, we still await its delivery.

The things which the Government has decided, then, are a great deal less important than the things which remain to be decided; but the decisions, so far as they go, seem largely sensible and reasonably credible. The Treasury's evident defeat on defence costs seems unfortunate, but the decision to allow for a major increase in employment expenditure is entirely understandable. The level of unemployment is now so high, and the potential social consequences so grave that a programme of this kind would be essential even in a rapidly expanding economy, let alone a sluggish one. The cost has fallen where it can best be borne—on the employed as well as on the unemployed, whose real benefit is cut, but by less than real earnings.

The two other main "increases"—about £1.3bn each for local authority expenditure ceilings and external finance for the nationalised industries — are simply concessions to reality. The previous financial ceilings would certainly have been broken, the new ones may be achievable. This is better than wishful planning.

The offsetting "cuts" are equally deceptive — they are in fact increased charges, a familiar pattern. Health service charges, which actually cover about a third of prescriptions, are a contentious issue; they may reduce some frivolous calls on the service, but they may also deter necessary ones, and there is some suspicion that they lead to over-prescribing. Given the safeguards for the needy, the issue is of fact rather than of ethics, though it is unlikely to be debated in these terms.

On the other hand the rise in local authority rents to about the same relation to incomes as in 1974-75 simply completes an overdue catching-up process. From now on these rents, like tax bands and national insurance benefits, should, in the normal course of events, be indexed. The fact that rates will again have to rise quite sharply in real terms, even if services are cut, is regrettable, but may be defended as a necessary evil if local authority spending is indeed to be checked. The electoral whip stings.

Recovery

Will the total cash constraints work? The assumption that public sector pay increases will be held to 4 per cent may seem unrealistic. To offset this, however, there is a sharply increased contingency reserve, and no credit is taken in the published totals for economy in debt service through indexation and asset sales, which have already made a noticeable contribution. The market's calm is here a good sign.

A serviceable vehicle, then; but where is the horse? Until the government answers the questions which are begged—about the nature of its financial strategy and about how it intends to deploy the revenue which will accrue from future economic recovery—we remain in a pragmatic no-man's land.

Europe's security at stake

EUROPEANS are playing with fire when they give an impression of half-heartedness about their own defence and, especially, about the Nato decision to deploy more powerful Theatre Nuclear Forces (TNF) provided no limiting agreement is reached with Moscow.

Mr Arthur Burns, the U.S. ambassador in Bonn—by no stretch of the imagination a wild man of the Reagan team, but a former central banker—did not mince words when he told a German audience this week that U.S. troops would not stay in Europe if they were not welcome. His warning was primarily addressed to the Germans and, first of all, to the peace movement there with its neutralist and unilateralist overtones. But the rest of Europe would do well to listen too.

Priorities

The German Government has at least stood by the Nato proposal for TNF: Herr Helmut Schmidt, the Chancellor, made that plain to the Soviet leader, Mr Leonid Brezhnev, in Bonn last month. But some leading figures in the Chancellor's party are prevaricating, and so are the Dutch and Belgian authorities. Half-heartedness about Nato does not end there: few European members of the alliance are living up to the undertaking to increase defence spending by 3 per cent annually.

In a phase of high unemployment and economic stagnation, European Governments have good reason to examine their priorities case by case. But from Washington they are seen to be shilly-shallying. Though there is an element of over-simplification in that view, Europeans ignore it at their peril.

Not that the fault lies with the Europeans alone. Even before the election of President Reagan the U.S. often failed to give the clear lead to be expected from the power upon which Nato is founded. President Jimmy Carter's about turn, first for, then against making the neutron bomb, is the classic instance. But also since Mr Reagan took over Washington has not always spoken with a clear voice. In particular, the President's thoughts about a nuclear war confined to Europe did not help. Some of the damage has since been repaired by the President's clear statement of aims in the TNF talks at Geneva. His espousal of the "zero option," meaning no deployment of the new American weapons and the dismantling of their Soviet equivalents did, at least, give a lead.

European Governments, to, have been struggling for means to achieve greater consistency. The German-Italian plan for consultations on security matters within the European Community was one result. Now the French have floated off the idea of breathing new life into the somewhat shadowy Western European Union.

The idea has its attractions since WEU encompasses the original Six plus Britain — all of them members of Nato. It avoids the complications that would arise if security were treated within the European Community which also embraces neutral Ireland and anti-Nato Greece.

Not only for that reason does the French proposal have its attractions. The text of the WEU treaty firmly attaches the organisation to Nato. That is desirable in itself. Moreover, it is further evidence that, under President Mitterrand, and in spite of the inclusion of the Communists in his Government, France is not, once again, drawing away from Nato, Gaullist fashion.

The danger of Europe and America drifting apart not only has a military aspect. Europe's economic difficulties have also contributed. The constant friction about European steel exports to the U.S. is only one instance. There are others.

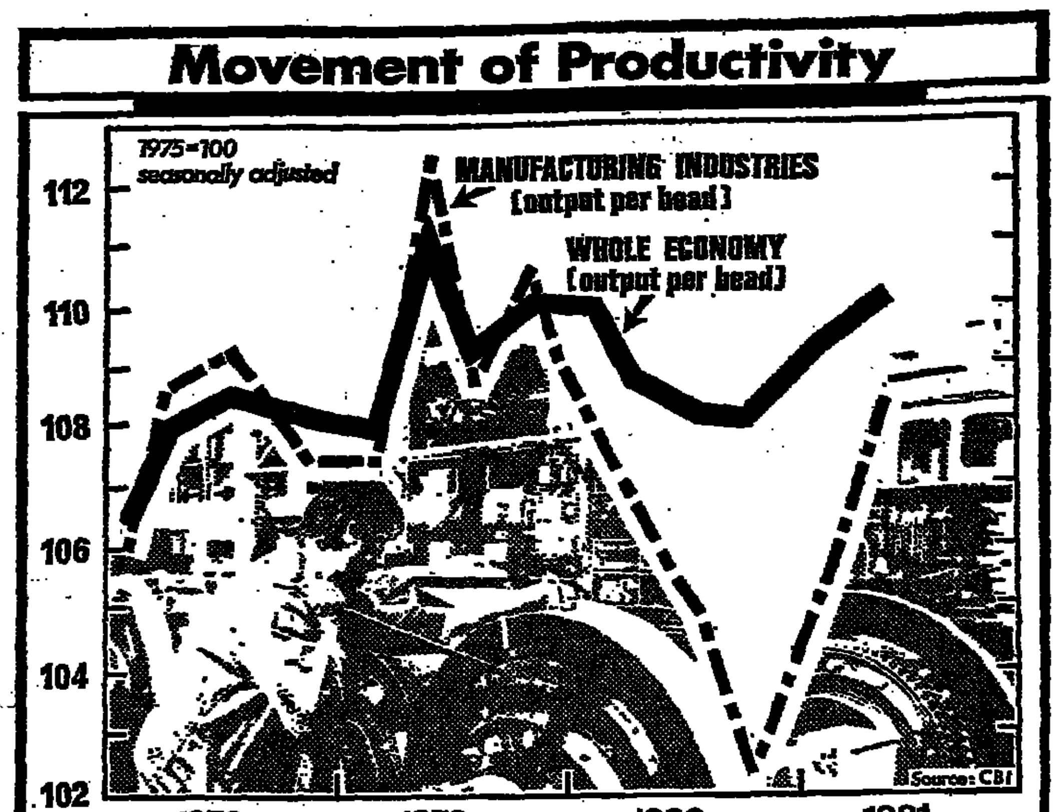
In its own interests Europe must rise to both the economic and the military challenge. The reasons for getting its budgets and industries in order again hardly require rehearsal. Neither should the reasons for arriving at an unequivocal defence policy as a strong partner within Nato. Mr Claude Cheysson, the French Foreign Minister, hit the nail on the head when he said that the thought of a Europe able to defend itself alone was an idle dream. Nothing needs to be added to that.

ECONOMIC VIEWPOINT

Still in need of a strategy

By Samuel Brittan

Sir Geoffrey Howe



Brana Radovic

YESTERDAY the Chancellor announced a set of decisions which in any other country would be announced not as a mini-Budget, nor an emergency Budget, nor a special package, but as quite simply *the* Budget for the financial year 1982-83. Expenditure for 1982-83 is put at £115bn compared with an original estimate of £105bn for 1981-82 and a likely outcome of £107bn. It is the changes from one year to the next which matter—and not cuts or increases from hypothetical levels for future years which existed only in documents.

No direct estimate is given either of revenue or of National Debt interest which lies outside the "planning total" for public expenditure. But the official forecasts accompanying the Chancellor's statement reveal after a little arithmetic that the Treasury is expecting the Public Sector Borrowing Requirement (PSBR) to fall from £10½ bn this year to £9bn next year. This last figure is subject to an average error of £3½bn in either direction.

Next year's PSBR is calculated on the forecasting assumption that tax thresholds are adjusted for inflation on Rooker-Wise lines, and so too are specific duties on drink, tobacco and alcohol (which means that they rise by 12 per cent), but that otherwise there are no net tax changes.

In discussing the trend of expenditure, it is important to compare like with like, i.e. next year's estimate for public expenditure against the estimate originally made for this year. This shows an increase of nearly 10 per cent, roughly in line with the rate of inflation expected between the two financial years.

Inded the increases are understated because of the bad habit of treating the National Insurance contribution increase as negative expenditure rather than as a tax increase, equivalent for most people to about 1 per cent on the basic rate. Higher charges for Health Service items are best regarded as increases in prices charged for public services. They are clearly different from straightforward reductions in expenditure; and to treat them as spending cuts is misleading.

Equivalent to about 1 per cent on the base rate

What has happened on this occasion is that certain spending items—above all defence, local authority expenditure, nationalised industries, and expenditure on jobs and training—have been allowed to rise more than originally expected. This has partly counter-balanced by extra charges and some genuine "cuts" elsewhere, leading in all probability to a moderate real increase in expenditure in 1982-83, after allowing for inflation.

In a rational world, yesterday's statement would be treated as a Green Paper (ie provisional Budget) as the Armstrong Report recommended. There would then be a three-stage discussion. The first would be: is the borrowing figure for next year too high, too low or about right? Secondly is it being struck around the right level of public expenditure? Even if the answer is "yes," there is still the third question: should any changes be made in the mix of spending and tax plans by which the totals are reached?

The projected PSBR of £9bn for 1982-83 is almost exactly in line with that envisaged in the Medium Term Financial Strategy (MTFS) and represents a drop from 4 per cent of GDP at current market prices in 1981-1982 to just over 3 per cent in 1982-83. Is such a drop either realistic or sensible? It is difficult to answer such questions without a realistic statement of what that strategy is, and the role of the PSBR, monetary aggregates and interest rates and exchange rates in chieving it. The fiction that the strategy is geared to Sterling M3 is just not credible with the admission that for the second year running the upper limit of the target range for that aggregate will be heavily breached.

Meanwhile the best clue both to the strategy and to the problems it will encounter is provided in the "Industry Act" forecasts and the Treasury's accompanying comments. Real GDP, which has fallen by 5 per cent since 1979, is believed to have touched bottom in the first half of 1981, to rise by ½ per cent in the second half of this year and then to recover by 1 per cent in the course of 1982.

Manufacturing output, which has had a much steeper fall, is expected to have a somewhat larger recovery.

The notable feature of the Treasury's forecast is that none of the modest recovery in output is expected to come from consumer spending. Real personal disposable income rose by the fantastic total of 17 per cent between 1977 and 1980. This could be neither afforded nor sustained. Since then it has fallen by 3 per cent and a further fall is expected in 1982. Thus even on the assumption of a substantial drop in the savings ratio, real consumer spending is not expected to rise at all either in 1981 or in 1982. Moreover, the volume of imports is expected to rise more than exports, although still leaving a comfortable current payments surplus of £3bn.

By far the greatest stimulus is expected to come from the turnround in stocks. This is an aspect which many people find puzzling. The Treasury expects only a negligible *increase* in stocks next year. But even this will be a huge turnround compared with the vast *rundown* that has taken place in the second half of 1980 and the first half of 1981. The mere change from de-stocking to very tiny accumulation is expected to add 2½ per cent to real GDP next year.

A much more modest, but still positive contribution is expected from private fixed investment. But as Dr Johnson might have said, the remarkable thing is not that it is modest, but that there should be a chance of it taking place at all, given the very severe recession and very gradual expected recovery. Indeed the whole phenomenon makes one doubt whether the amount of useful surplus capacity in the British economy is anything like as large as the industrial surveys suggest.

Indeed the most interesting feature of the forecast is not the final numbers, but the unquantified indication of a substantial shift in real incomes from the personal to the corporate sector, which has already started and is expected to gather force next year.

Nevertheless the profit recovery is starting from very depressed levels and the real exchange rate is still very high by comparison with the 1970s. There should therefore be another substantial fall in the growth of earnings. Indeed the CBI Databank has just reported a concentration of settlements in the last few weeks in the 5 to 7 per cent range, compared with 7 to 9 per cent in the period January to August.

Moreover, American interest rates have fallen and sterling has edged upwards since most of the work was done on the official forecasts. Thus for once the forecast of inflation coming down to 10 per cent by the end of 1982 may prove too pessimistic. (I believe I have a few small bets outstanding on single figures being achieved.)

But the biggest possible source of error is in my view on the productivity front. The CBI has projected upwards the dotted line for manufacturing shown in the chart and expects a rise in manufacturing output per head of 10 per cent between the end of 1980 and the end of 1981. Admittedly, manufacturing is only about a third of the economy. But if anything remotely like this improvement continues, accompanied by a modest rise in service productivity, then a major inconsistency will be revealed in the whole official picture for 1982.

For according to what the Chancellor told the House of Commons, the rise in unemployment should level off and even possibly go into reverse by the end of the 1982 financial year. It is not possible for this to be true, for productivity to rise rapidly, and for output to edge upwards by only 1 per cent all at the same time. Of course, if unemployed young people are driven off the streets by Alsatian dogs into so-called training schemes where they produce very little, then the conundrum will be resolved by a statistical slowing down in average national productivity. But I do not think that Sir Geoffrey Howe or his economic advisers want a solution along such lines, however much it might appeal to constituency militants.

By far the best resolution would be for inflation to decelerate much faster and output to rise much more. In that case the estimated rise in money-GDP of 11 per cent will be achieved with more real growth and less inflation.

But there are limits to how rapidly inflation can fall below the accustomed levels of the past decade in an economy with the institutional rigidities of the British one. The Medium Term Financial Strategy is best regarded as a set of long-term guidelines for total spending or money-GDP. An unexpected but welcome upward shift in productivity might constitute a valid case for a modest upward adjustment in money-GDP.

The very worst way of injecting a little extra spending power would be to reduce the basic rate of income tax. It is the least cost-effective relaxation in terms of jobs, and the method with the highest inflationary risk. Nor, at the risk of teaching my grandmother how to suck eggs, do I think that it has the political sex appeal that it did when Mrs Thatcher entered the House of Commons, and Chancellors would announce "a penny off the income tax" to a burst of waving Order Papers. But the stimulus to public sector investment, beloved by some Social Democrats, is just about as ineffective.

The case for abolishing the National Insurance surcharge has also become much weaker with the improvement in profit margins. The rational choice lies, in my view, between reductions in indirect taxes, which would reduce inflationary expectations and affect the crucial 1982-83 wage round favourably, and "Layard" type measures to subsidise jobs for the long-term unemployed in either the private or public sector.

Nudge people into pricing themselves into work

The Walters scheme for school-leavers is one small step in this direction. Much more can and should be done to nudge people into pricing themselves into work and perhaps topping up the market wage for those of low skills and earning power.

But none of these relaxations can be responsibly undertaken until the MTFS is reasserted and reaffirmed and any change put in its context. Every headline about "Victory for the Wets" is so many thousand jobs down the drain.

THE NEW OFFICIAL FORECASTS

(Indices 1975=100)

	1980 I	1980 II	1981 I	1981 II	1982 I	1982 II
Money GDP	198	212	222*	236*	247*	262*
Real GDP	109	106	105	105½	106	106½
Manufacturing output (stock-adjusted)	99	90½	87½	90½	92	93

Note: I=first-half, II=second half. * F.T. inference from official forecasts.

Men & Matters

Going for broker

As if the pulling-power of a prospective partnership at Cazenove were in any doubt, the distinguished City stockbroking firm has recruited Barry McFadzean from the other side of the world, there he was a director of Australian Bank until he resigned recently for personal reasons.

Cazenove tends to be discreet of the world, where he was a internal matters, but I gather that McFadzean will be concentrating on corporate finance work — an area in which the departure to N. M. Rothschild of Michael Richardson must be reckoned to have left a sizeable gap.

The new man brings to Tokenhouse Yard the requisite strain of blue blood. He is the son of Lord (William) McFadzean, chairman and later president of BICC, and director of the Midland Bank. Like his father, Barry McFadzean trained as an accountant before he moved over to merchant banking. He was with Morgan Grenfel for eight years, and then took up an executive directorship with Warburg in 1975. He married his Australian wife Julia in 1968, and 10 years later the couple went out to Sydney when the Australian Bank became the first fully licensed new bank to open its doors down under in 50 years.

There remains, of course, one hurdle yet to be cleared. As Sir Kenneth Berrill discovered when he moved to Vickers da Costa last year, the Stock Exchange is a stickler for formalities, and the immediate prospect for McFadzean is one of studying to pass its membership examinations.

Self-styled

Self-effacement was never Brian Marber's strongest suit in his days as the City's artiest chartist at Simon and Coates. Marber now runs his own research outfit, which is wired into the Reuters system. His choice of four-letter call sign—"Guru."

Good offices

Recession? What recession? A City employment agency in Bow Lane has been offering £7,250 for a personal assistant "to organise grouse shoots and social events for partners."

Wat next?

History suggests that Sir John Grugeon, Conservative leader of Kent County Council, should pursue with a touch more caution his spirited campaign for the replacement of the rates system with a poll tax.

It was a similar proposal, after several decades of economic discontent, that started the Peasants' Revolt exactly 600 years ago.

Not only that. The 1381 uprising began in Kent under Wat Tyler's leadership. The Kentishmen entered London, massacred some foreign traders, and forced the surrender of the Tower.

Tyler was killed — but so were the two men held responsible for the poll tax idea: Archbishop Simon of Sudbury and Sir Robert Hales.

Kent council's economies have already earned Sir John such titles as Surgeon Grugeon and Grooge the Scrooge. Time, perhaps, to proceed with care.

Stout partisans

Much froth over the stout in the south-west of Ireland, where debate in the pubs has long turned on the relative merits of Guinness and the local Murphy's brew.

Murphy's of Cork reported losses last year of I£600,000 and the board wanted to merge its tipple with that of Canadian-owned rivals and neighbours Beamish and Crawford.

Local publicans who form the bulk of Murphy's shareholders created a fuss, and B and C have called off the merger talks. Murphy's chairman Bill McDonogh says the only alternative is for the shareholders themselves to put up more equity.

Cork's veteran bibbers hope he has more luck than they have had over the years in their attempts to weedle a few bob out of the men behind the bars.

Ballpark figures

For the man who has everything—that special Christmas present. A baseball team.

A baseball team? Indeed, they may be on the expensive side, but at least buying a U.S. major league franchise is not as philanthropic as buying your way on to the Board of a British football club—where the old adage runs "the best way to make a small fortune in football is to start off with a large one."

Some pretty hard-headed business interests have been pitching sizeable amounts of cash at vulnerable franchises over the last few months. This year, the two Chicago clubs, the White Sox and the Cubs, have each gone for around $30m to Jerry Reinsdorf and partners and the Tribune Company respectively, while the sale of the *Philadelphia Phillies* to a Taft Broadcasting-led consortium in October set a new record price of $30.2m.

Even that last hefty sum may have been on the low side, according to a U.S. outfit called National Economic Research Associates, which has produced a price list for the major league teams based on an analysis of factors such as population, per capita income, competing franchises and national television revenue. The Phillies, reckons Nera, are worth more like $35.3m—at that price the dearest item on its list after the $36.2m Detroit Tigers.

Close behind follow the Boston Red Sox at $34.3m, the Houston Astros at $32.3m, and the Texas Rangers at $31m. The New York Yankees stand at $24.3m while down in the bargain basement are two West Coast sides, the San Francisco Giants at $19m, and the Oakland As at $18.6m. The Atlanta Braves, bought by broadcasting tycoon Ted Turner for $12m in 1976, are now rated by Nera at $29.2m, while the Seattle Mariners, where a 92 per cent share changed hands at $13m this year, sound a snip against the Near valuation of $27.4m.

Matched pair

Overheard in Harrod's: "Her divorce came through last week, you know. She's getting the house, the Mercedes, and £15,000 a year." "Well, she certainly picked the right man to be incompatible with."

Observer

MUBARAK TIGHTENS HIS GRIP

A new style for Egypt

By Anthony McDermott in Cairo

"IN CONCLUSION, I wish to say that I will not make a promise that I cannot fulfil." These are plucky, even foolhardy, words for any politician to utter and almost doubly so from an Egyptian president.

But President Hosni Mubarak, Egypt's new president, managed to make them sound reasonably convincing in his first major policy speech. He is fully aware of the penalties for failure as it becomes clear how close Egypt came to a revolution this autumn. Such an upheaval would for a while at any rate, have brought a strict and unforgiving Islamic government to power and transformed the balance of power in the Middle East.

Egypt is still tense and Mr Mubarak has moved firmly to restore order and uncover as much as possible about the wider plot that lay behind the assassination of President Anwar Sadat. But he has also been careful to capitalise on a variety of factors,

Egypt did not crow over the fiasco of the Arab summit

at home and abroad, which so far are working in his favour.

First, there is his workmanlike style, which is far different from that of his predecessor. Mr. Sadat tended to stud his speeches with echoing words like "Rakhaa" (prosperity) and "Salaam" (peace) so often that they began to lose any real meaning with the audience.

Second, by meeting members of the official opposition parties and releasing a first batch of 31 political detainees he has created an atmosphere in which he has at least for this period of honeymoon and goodwill a broad range of political support. Among those released are Mr Fuad Serageddin, historical leader of the now dissolved neo-Wafd Party, Dr Hilmi Murad, the deputy leader of the main opposition socialist Labour Party, and Mr Muhammed Hasanein Heykal, the foremost Arab journalist and long-standing confidant of Nasser.

Third, abroad, he has halted the abuse of other Arab countries and leaders in the media. At the same time, he has insisted that any return to the Arab fold will not be at the expense of Egypt's peace treaty with Israel.

The new Egyptian style has been most apparent in reactions to the fiasco of the Arab summit in Fez. Egypt has not crowed over the Arabs' failure to come to any agreement over the Fahd peace plan—regarded here as impractical but a step in the same direction of recognition of Israel.

Rather, Mr Mubarak has quietly made the point that, in Egypt's view, both the bilateral agreements with Israel and the attempts to obtain some sort of autonomy for the Palestinians on the West Bank and on the Gaza strip are far more positive and practical than anything proposed by any other Arab state.

But Mr Mubarak's main priority remains the suppression of Islamic extremism.

Initially, President Sadat's assassination was presented merely as the work of an isolated group of four men, not all of whom were serving soldiers. It was led by Lieutenant Khaled Islambouli of the Artillery Corps. His trial and that of others inplicated in the assassination squad is now under way.

In fact, the plot turned out to have broad ramifications. Eight other officers and men from other units were found to have been involved as members of a civilian organisation, called Gihad (Holy War), led by a Cairo engineer named Mr Mohammed Abdel-Salam Farag, who is now also on trial.

What has also emerged is that, besides the assassination squad and its Gihad connection, there was another linked organisation, headed by an officer called Abboud Al-Zumur with connections with military intelligence. The planning seems to have been fairly comprehensive and the aim is alleged to have been not just the assassination of President Sadat, but also, by blowing up the main stand at the military parade, the elimination of the whole political, military and security elite of the country.

Has this threat, if it ever really existed, subsided? Tight security is still evident. There are more sand-bagged positions around embassies, banks, police and security stations than before.

At night, cars are stopped and boots and identification papers examined. In Cairo youthful plain clothesmen carrying Kalashnikovs lurk outside hotels in the shrubberies—an innovation since October 6 which has given parts of the city a security appearance similar to Damascus.

Lt Islambouli brandishes a copy of the Koran during the Sadat murder trial.

It appears that security is under control, but the future tactics of the Islamic extremists remain unknown. Ever since the establishment of the Moslem Brotherhood in Egypt by Hassan Al-Banna in 1928, there has been a distinct pattern in their activities and those of their more extreme branches. When in favour, they have even supplied Cabinet ministers. But, whenever they have exceeded the limits permitted by the Government and been suppressed, they have resorted to violence. In October 1954, for example, they failed to kill President Nasser in public in Alexandria, and another plot against the Government was uncovered in 1965.

The revival of the Brothers came in the wake of the devastating defeat by Israel in the 1967 war. Sadat succeeded Nasser in 1970 and saw them as natural allies against the Nasserites and the Communists. The Brothers continued to gain strength, especially in the universities, not only because they saw Sadat as a protector of their cause, but also because of the social disruption caused by Westernisation, the growing global strength of the Arabs through oil wealth, and above all, Ayatollah Khomeini's revolution in Iran.

It is now an open secret that Mr Sadat was being pressed to move against the Moslem fanatics sooner than he did. When the purge began, though, he confused the issue by arresting Copts and political opponents as well. "The people speak a different language from their politicians. Their own language is written in letters of red," wrote Al-Banna in 1945. The Moslem extremists, echoing these words, reacted with traditional means—assassination.

Leaving the security problems aside, Mr Mubarak is faced with a considerable task. He has recognised the danger areas, but set out his intentions clearly.

"Our aim," he said "should be to serve the interest of the masses . . . to set up a society of purity, and justice, and not a society of privileges and class differences and exploitation."

In the short term, there is enough money to ensure food and clothing for the Egyptian people, even though income from the main earners—oil, workers' remittances, tourism, Suez Canal dues and cotton—is rising far more slowly than in recent years. A balance of payments deficit is forecast for 1981-82 of $500m, compared with a $1.5bn surplus in 1980. This year these five main earners could produce over $8bn and there are another $700m in reserve. The $800m set aside for long-term nuclear development could be used for other purposes, and the Egyptian General Petroleum Corporation has another $1bn in bank deposits. But food imports, which account for more than half of all imports, are rising by 25 per cent a year, and totalled $4.4bn in 1980.

In the long term, however, the surplus is slim for the needed reforms that Mr Mubarak has in mind. These include "productive development projects," housing, the reform of the public sector, and projects which would lure home from the Arabian peninsula the skilled labour which Egypt so badly needs.

A key area in which the new President wants reforms is subsidies, so that they "go to those who really deserve them and not to any other group." A detailed study by USAID in 1979 showed that food and energy subsidies were even then costing E£2.9bn (about $2.5bn). The intentions, dating back to the 1950s, were honest, but this same report, backed by many statistics, showed that "food and energy subsidies are highly skewed toward the urban population and within this population toward higher income levels."

At the same time, an urgent task is to develop Mr Mubarak's own political constituency. For Mr Mubarak, if he is to survive, has to capture the allegiance of ordinary people. Both Nasser and Sadat discovered that in Egypt popular affection tends to run in cycles. But unlike Nasser, Mr Sadat never quite established a place in the hearts of Egyptian people as a ruler who identified himself directly with them.

Boarding the Royal yacht Mahroussa, near Alexandria, on his way to exile in 1952, King Farouk remarked to General Mohammed Neguib, Egypt's first President: "Your task will be difficult. It isn't easy, you know, to govern Egypt." The circumstances under which the fourth President took over have made this all too apparent.

Lombard

A Geneva ritual to rival Vienna's

By Nicholas Colchester

THE FIRST night of "Theatre Nuclear Forces," the latest disarmament show, has passed off well in Geneva and its run promises to be a long one. Seasoned talk-goers are already wondering whether TNF will rival "Mutual and Balanced Force Reductions," a smaller budget production which, with several cast changes, has been part of the Vienna scene for the last eight years.

The plot of TNF contains many of the same classic elements which assured MBFR such a run. There is the same inflexible Geographic Situation—Russia is close to Western Europe, America is not. There is the Data Question—what nuclear weapons has Russia really got? There will be the pivotal Discrepancy about the claimed Disparity. There will be coyness about Verification involving National Technical Means (aside — "satellites"). There will be much jockeying for Positions. And all this will be acted out over arsenals which can be assembled into more permutations and combinations than in any previous talks.

MBFR is about the attempt to reduce the size of the opposing conventional forces in central Europe. As in TNF, there is dramatic irony from the start in that East and West argue past each other. The East regards the starting point as de facto "balanced" and wants percentage reductions on each side from that starting point.

Balance

The West prefers to define balance in terms of numbers. It insists that the starting point is imbalanced in the East's favour and that any attempt to establish true balance must involve some means of verification of the East's data on forces. The East regards this as a Western ploy to gather intelligence. Elaborate formulae are devised to narrow the gap between these two approaches, but the underlying schism remains. The curtain falls with each side leaving for another plenary session.

The action at the MBFR talks involves the 80 or so negotiators in a weekly ritual which has now been repeated 290 times. On Monday each side meets to review the previous week and to prepare position papers for the morrow. On Tuesday, the representatives of three participating countries from each side hold an "informal meeting" in a representative's house. They exchange position papers. On Wednesday each side meets again, reviews Tuesday's meeting and decides tactics for the next informal meeting.

Inhibited

On Thursday there is the set piece of the "plenary session." East and West gather in the handsome Redoutensaal of the Hofburg Palace. They listen to one speech delivered by East or West, on alternate weeks. There is no discussion. Subsequently there is a press briefing where each side outlines its attitude to the speech it has just heard or made. Friday is essentially a free day. It is well suited to what is known as "bilateral contact"—lunch with an ally or an opponent.

Simple on the surface, the MBFR ritual is for the connoisseur as rich in detail as the Ramayana. Edward Jackson, the British ambassador to the talks, calls it "a long running and ever-expanding acrostic." If talks about 1.7m troops in a well-defined area straddling the iron curtain can generate such complexity, imagine the scope presented by TNF, where the two sides have yet to agree what they are discussing. TNF promises to be a black hole capable of absorbing an infinite quantity of grey matter.

Yet neither MBFR nor TNF can be dismissed as empty ritual. Such talks preserve a direct line of vision between opponents, providing each with some reassurance against treachery by the other. While such talks continue both sides definitely feel inhibited from making big changes from their starting positions. Such talks also allow a small element of each side to understand the thinking of a small element of the other—and, in the case of MBFR, not to be wholly dismayed by that understanding.

If only for these modest reasons, both shows must go on.

Letters to the Editor

Factories are closed when they can't make profits

From the Chairman of Renold

Sir,—The problems in our society as revealed in the Scarman Report, with rebellious youth and revolutionary trade unionists and unemployed can be laid squarely at the door of our industrial decline. How much more did we expect people in industrial areas to take in watching their factories close down, in massive redundancies, in long-term unemployment, and in the bleakest outlook ever for job opportunities and in any kind of future prospects?

The decline of UK manufacturing industry which has been massive in the last few years has been caused by mistaken national policies and political trade unionism. Factories do not close down for fun, they close when they cannot make profits with which to provide the resources necessary to continue. These profits have been denied to them by militant trade unions demanding and striking for, and winning, an ever increasing share of the diminishing cake and by Governments of all colours stubbornly refusing to recognise the needs of industry and the economic climate in which it can prevail. It is rather late now after all the damage has been done to talk of dealing with Japanese imports—Governments even with only half the understanding of the effects upon UK industry should have controlled trade with Japan, the Far East and the Eastern Bloc years ago but it has taken far too long to realise the difference between free trade and fair trade and the fact that there is now no way in which today's Western world society can compete fairly with the countries referred to.

Interest rates have been used to control, or attempt to control, money supply and inflation to a point where they have killed private industry investment and growth, created havoc with business failures and artificially increased the value of Sterling. We were told when interest rates were excessively high that this was not the reason for Sterling's strength but now Sterling has dived in relation to the dollar higher interest rates are maintained by the Bank of England in order to restore the strength of Sterling. The effect upon an already bombed-out industrial base is the last thing to be considered. Surely it is not beyond the wit and imagination of our financial gurus to provide industry with long-term money at low interest rates, for only with such action is industry likely to start up again.

Briefly then we must put our young and our unemployed to work if we want a decent society and this will only be possible if industry of all types recovers its previous strengths. We need a complete end to "grab all" political militancy in trade unions with action, preferably by the unions themselves; we need effective control of our trade with the Far East and the Eastern Bloc and an end to their destructive imports: and we need long term finance for industry at reasonable cost. Competitiveness of UK industry at normal volumes has improved immensely in recent years, although it has been held back by public sector charges and over-valued Sterling. If we act now we may still bring UK manufacturing industry back again and then and only then will jobs be provided in the areas of discontent either in industry directly or in other activities provided by the wealth created by industry. Further delay will not only mean more discontent but ultimately an unacceptable left wing socialist society.

L. J. Tolley,
Renold House,
Wythenshawe, Manchester.

The price of oil to industry

From Mr J. Wareham

Sir,—Two OPECs ago when the pound was at $1.77 the oil companies were jealous of their prices. Now, when crude oil is cheaper in sterling terms than on August 12, Esso contents itself with plotting "crude costs" against "average product realisations" which latter term it does not define.

There is, however, hope for the heavy fuel oil market, because Mr Simon of BP has confessed his sins in public (November 27). He admits industry is overcharged for oil (by my calculations around 15 per cent for heavy fuel oil class "F"). The only justification, apparently, is that the oil companies consider industry to be more docile than the motorist industry is subsidising.

Mr Simon must realise that confession is not enough of itself—expiation and absolution can only be achieved when he truly repents and rights his wrongs.

J. E. Wareham,
24, Broomhurst Avenue,
Coppice, Oldham, Lancs.

The future of the D'Oyly Carte

From Mr C. Prestige

Sir,—I write with reference to Sir Charles Forte's letter (Nov. 26), in which he recalls that I was his lunch guest on October 19 with one of the officials of the D'Oyly Carte Opera Company.

At that lunch, Sir Charles said more than once that he and/or Trust House Forte wanted to help D'Oyly Carte, but that if Trust House Forte were to make a donation, he would like to be sent a letter of request which he could lay before his board.

I therefore now write to put on record that I wrote to Sir Charles on October 26 "to ask if Trust House Forte would give a donation to help the D'Oyly Carte Opera Company in its present financial difficulties." I added that I would be pleased to give further information if so requested. I also enclosed in the same envelope a separate and more personal letter. Sir Charles has not written to me in reply to either of these letters.

Sir Charles alleges that the trustees have "been procrastinating for months." On the contrary, over £200,000 has been raised this year, but more is needed to save D'Oyly Carte. The Opera Trust now has no investments and no reserves.

Colin Prestige.
The Friends of D'Oyly Carte,
6, New Square,
Lincoln's Inn, WC2

Investment policy of insurance companies

From Mr M Fawcett

Sir,—Looking at the present investment policy of the insurance companies in commercial property it seems they have a totally opposite view to the Government as to the future. The institutions are now investing in property to show in most cases a smaller return than five years ago and in first class positions less than 4 per cent. In other words they consider that inflation will be continuing at an even faster rate as dramatic changes due to any other cause are extremely unlikely, as perhaps, may occur with shares. It is inconceivable that commercial property will change at any real different rate than residential property where we all know that inflation and rise in values over the last two years has been virtually nil.

In these days when wage rises are as low as 5 per cent, other outgoings such as rates are increasing rapidly for all businesses, rents are bound to come under pressure as we are beginning to see in certain areas. All the signs seem to suggest that the institutions have got it wrong, at least for the time being. It is to-day a bigger problem finding a tenant than an institutional buyer.

Obviously those in the property business are not going to advise against such investment but the sufferers for the wrong policy now will be future private pensioners.

M. H. Fawcett.
5 Palgrave Road,
Stamford Brook,
W12.

No representation without taxation

From Mr T. Whittle

Sir,—The persistent call for reform of domestic rates stems from the manifest unfairness of an outmoded system.

Apart from the inequity of a tax on dwellings which takes no account of numbers of occupants or ability to pay, there is enormous variation between areas in the ratio, within a constituency, of those eligible to vote and those who actually pay rates — seldom less than 3 to 1 and in some London boroughs said to be 10 to 1. Perhaps the imminent green paper will tell us how many adults receiving income actually pay rates.

The only direct services applicable to property are water, sewerage and refuse collection. These could be merged into one utility and being correlated with occupancy could be charged through water meters.

Implementation of a local poll tax through PAYE would take time. But it should be possible to find some interim method of collection, so urgent is the need for reform. Why not a system exactly similar to National Insurance, adding an extra column to the P11 form and using a table of contributions based on gross pay, with a cut off point as for NI? Employers would forward the tax collected direct to local (rates) offices. Industrial "rating" might be changed to a local tax linked to corporation tax.

The way the money is spent is another matter, but a fairer democratic outcome might result by changing "no taxation without representation" to "no representation without taxation."

Thomas E. Whittle.
19, Kildoon Drive,
Maybole, Ayrshire

Matthew Hall rises: expects £10m for year

PRE-TAX PROFITS of Matthew Hall and Co, oil and chemical engineer, improved from £6.83m to £7.67m for the nine months to September 30 1981 and the directors say present indications are that the group should produce taxable profits of about £10m for the full year.

Stated earnings per 25p share for the nine months emerged at 15.63p (9.45p adjusted), after tax of £2.33m (£3.6m), and the net interim dividend is being stepped up from an equivalent 0.987p after allowing for the one-for-one scrip of 1.086p net—last year's final was equal to 3.276p.

The tax charge was reduced by £766,000 in respect of ACT written off in 1980 and now written back.

The established oil, gas, chemical and mining operations all contributed satisfactorily to the nine-month figures despite the recession and, "most importantly," substantially higher costs incurred by the group's developing ventures in South East Asia and North and South America.

While the markets associated with the mechanical and electrical services companies were under severe pressure the contribution from Matthew Hall Mechanical Services was well in line with last year and its order book held up satisfactorily. Its sister company in Australia also produced good results and Holiday Hall, the specialist electrical and instrumentation company, continued its recovery.

The acquisition of Barnard and *Burk in the U.S. was completed* last month and will not, therefore, have any significant effect on the year's results. However, the directors are looking for between £1.5m and £1.75m from the company for 1982.

The nine-month results were arrived at after taking account of development costs totalling between £500,000 and £600,000 and it is pointed out that by the end of the financial year this figure will have increased to about £750,000. A similar total is likely to be spent in the coming year.

Turnover increased by some 30 per cent and although margins are getting tight Mr Arthur Hoskins, managing director, says that with greater throughput and streamlining of costs the directors hope to keep ahead of their targets.

He says they are "reasonably confident" that barring any unforeseen circumstances the coming financial year will be as good as that now being completed.

Sir Rupert Speir is to retire as group chairman on December 31 but has agreed to remain a director in a non-executive capacity. Mr Dennis Garrett, at present deputy chairman, is to succeed Sir Rupert as chairman.

● comment

Shares in Matthew Hall have been a strong market this year, the more so since the Barnard and Burk deal, and the price climbed a further 3p yesterday to reach an annual peak of 220p. The U.S. deal is the group's first step in translating its international aspirations into reality. And this process which will start changing the shape of a strong balance sheet is set to continue. A $6m term loan has been arranged (partly for use as a *currency hedge) and some $7.4m* of goodwill will be written off. For the moment, though, interest receipts are stimulating what would otherwise have been no more than an adequate performance at the trading level (albeit after an extra £500,000 or so as start up costs) and nine months' profits are ahead by 12 per cent. For the full year, the conservative *forecast is for 9* per cent growth to £10m pre-tax which indicates a fully taxed p/e of 15.6. The order book is said to be reasonably full, although there must inevitably be uncomfortable patches in chemical plant and mining. A 10 per cent rise in the final dividend gives a prospective yield of 3.1 per cent which is about half the level of historic income available from, say, Davy or APV. This premium rating assumes, perhaps, that Matthew Hall will be successful in replacing its cash cushion with overseas assets in the medium term.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
§Buffels Gold ...... int.	260	Feb 5	310	—	710
City of Dublin Bank‡ ...	2.01	Feb 19	1.75	2.89	2.63
§Clydesdale Tr'vaal. int	2.75	Feb 19	22.5	—	60
A. Cohen .... int.	2.73	Feb 15	2.6	—	7.5
Ferarnti .... int.	3	Feb 4	2.5	—	6.5
§Griqualand Expl.	15	Feb 19	7.5	15	15
Matthew Hall ...... int.	*1.09*	*Jan 19*	*0.99**	—	*4.26**
Irish Distillers	2.18	Feb 18	2.18	3.06	3.06
Pilkington Bros. ... int.	5	—	5	—	10.5
Sheffield Refrsh. ... int.	0.7	Jan 12	0.7	—	2.4
§Stilfontein Gold	180	Feb 5	300	310	460
§Trans-Natal Coal ... int.	25	Feb 19	18	—	38
§West Rand Cons.	10	Feb 5	10	15	17.5
Wintrust .... int.	0.1	Dec 30	0.1	—	3.2

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ *Irish currency* throughout. § South African cents throughout.

Phoenix Assurance holds £25m

A VIRTUALLY unchanged pre-tax profit of £25.5m, against £25.3m is reported by the **Phoenix Assurance Company** for the first nine months of this year, despite a 60 per cent jump in underwriting losses from £14.5m to £23.2m.

Investment income over the period rose by one quarter from £38m to £46.8m, fully offsetting the decline in underwriting. Long-term profits showed a slight rise to £3.7m.

However, a higher tax charge cut back the net profit by nearly 10 per cent from £13.9m to £12.8m, with the earnings per share falling from 23p to 21.2p.

General business premium income advanced by 18 per cent in sterling terms from £283.5m to £336.5m, but the underlying increase allowing for currency fluctuations was 8 per cent. Similarly the underlying increase in investment income was 16 per cent.

The underwriting loss-situation would have been much worse but for a significant improvement in the UK, where losses over the nine months were cut from £5.1m to £1.3m. The motor account showed a marginal profit and the personal home account much reduced losses. The company, however, experienced a number of large commercial fire losses, against the market trend and but for this would have reached a break-*even position in the UK.*

Underwriting losses in the U.S. nearly doubled from £4m to £7.4m with a nine-month operating ratio of 110.0 against 106.7 for the corresponding period last year. Canadian losses more than doubled from £1m to £2.6m, and the rating increases made this year are not likely to affect the overall *result for 1981.*

● comment

The dull nine-month figures from **Phoenix Assurance** were more or less in line with market expectations and follow the pattern of other composite results. All overseas markets are showing significantly higher *underwriting losses, particularly* in the U.S., Canada, Australia and South Africa, leaving the UK as the only successful major market. Little or no improvement can be expected overall in the final quarter and the full year's pre-tax profits could be around last year's £32m. The company is hopeful that overseas results will improve next year. The increased premium rates in Canada are sticking and the company's tie-in with the Prudential in Australia is expected to staunch the cash outflow. But at the end of the day, underwriters are hoping for a mild winter in the UK to maintain the improvement. The share price shed 2p to 256p, yielding 8.9 per cent gross on an expected 16p net dividend.

CASE heavily oversubscribed

THE OFFER for sale of 2.5m shares of Computer and Systems Engineering (CASE) at 225p per share has been oversubscribed 27.4 times. Over 34,000 applications have been received for a total of more than 71m shares.

Preferential applications from employees have been allocated in full. Preferential applications from existing shareholders for 800 shares or less have been allocated 50 shares each. Applications from shareholders for more than 800 shares have been allocated approximately 6.8 per cent of the amount applied for. This absorbed the 500,000 shares available for preferential applicants.

However, excess preferential applications have also been allocated approximately 2.8 per cent of the amount applied for out of the 2m shares available for others.

Ordinary applications for 200 to 3,000 shares will be subject to weighted ballots for 100 shares, while applications for 3,500 to 4,000 shares will also receive 100 shares. Applications for 4,500 to 6,000 shares will be allotted 150 shares, those for 7,000 to 8,000 shares will be allotted 200 shares, those for 9,000 to 10,000 shares will receive 250 shares and those for 11,000 shares or more will receive approximately 2.8 per cent of the amount applied for.

Letters of acceptance will be sent out on December 7 and dealings on the Stock Exchange *will begin on December 8.*

HARGREAVES GROUP

The board of Hargreaves Group, industrial holding company, hopes to recommend a final dividend similar to the interim of 1.6p net per share. *In yesterday's report it was in-*advertently stated that a final similar to last year's 1.15p would be paid. Associates profits were down from £450,000 to £425,000 and this figure includes £409,000 (£388,000) for Hargreaves Fertilisers.

THE TRING HALL USM INDEX
115.3 (+0.3)
close of business 2/12/81
BASE DATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 527-532 (unchanged)

OIL INDEX
January Refined $44.15
March Refined $43.80

● JOHN BROWN'S BID LETTER UPSETS THE MARKET

Red alert over predicted loss by machine tool side

John Brown and Company, the engineering group, yesterday confirmed that it would be paying $44.4m for **Olofsson Corporation**, a Michigan-based manufacturer of metal turning and boring machinery.

However, it was the rest of the letter to shareholders from Mr John Mayhew-Sanders which caught the market's attention and sent the shares plunging 16p to *62p.*

The chairman told shareholders that he wished "to alert" them "to certain recent developments which will affect the current year's performance."

The machine tool division, he said, which had been improving profitability as a result of rationalisation, is now expected to make a loss "in the region of £4m."

At the time of the rights issue in September Mr Mayhew-Sanders had said that "trading performance and profitability" had shown a most encouraging resilience."

Yesterday he admitted that "recently there has been a dramatic and unexpected further worsening of market conditions for our products which alone would have been enough to reverse last year's improvement in performance but, in addition, I am sorry to have to report, some serious management shortcomings within the division have also recently come to light."

The market, which only last week had been predicting buoyant figures for John Brown for the current year, was entirely unprepared for the news.

Most brokers had recently *been recommending the shares* as a "buy" although James Capel was instructed on Monday to sell 5m shares at 78p on behalf of an unnamed client, believed to have been a merchant bank investment division which had been one of the underwriters of the rights issue.

It was not widely known that during the summer John Brown replaced a number of senior executives in the machine tool division, including Mr Philip Norman, the chief executive, by executives of Leesona, the U.S. plastics machinery manufacturer.

The machine tool interests were grouped under the management of Mr Bob Page of Leesona, now chief executive of the new industrial products and *electronics division, which is to* include plastics, textile and electronic machinery as well as machine tools.

Mr Page and his team appear to have taken until now to quantify the effect of what had been a management problem for some time—that machine tool stocks were much higher than true order books could justify. The problems were particularly acute at Wickman, which has a very poor order book, and to a lesser extent at Webster and Bennet.

Mr Mayhew-Sanders also said yesterday that the company's problems were not confined to the machine tools division alone. "The outlook for many of the manufacturing sectors of our business have deteriorated" as a consequence of deepening recession in the U.S. and no signs of recovery in the UK, he said.

"Prospects for the current year's profit now look much less satisfactory than they did when I wrote to shareholders in connection with the rights issue, indeed less satisfactory than they did only a few weeks ago."

Nevertheless, Mr Mayhew-Sanders reaffirmed his belief in the group's "resilience." The engineering and construction sector "continues to perform steadily," he said, and the outlook for gas turbines has been much improved by an extra £235m of new orders this year.

However, the profit for this year is not expected to reach last year's level, he concluded.

Pilkington falls £12m—holds payout

ALTHOUGH profits from overseas companies expanded by £14.1m to £34.6m, the UK side of **Pilkington Brothers** incurred much heavier losses of £30.7m, against £4.9m, and left this glass manufacturing and processing group with taxable profits well down from £35m to £22.9m for the half year ended September 26, 1981.

The interim dividend, however, is maintained at 5p net per £1 share—last year's final distribu-*tion was 5.5p paid from pre-tax* profits of £81m (£91.4m).

The directors say that in the UK the seasonally stronger demand for products, and a reduction in redundancy costs—UK loss included £15.2m (£3.2m) redundancies and termination costs—should result in an improved performance in the second half. Overseas prospects remain good, they add.

Sales for the six months expanded from £324.7m to £451.5m, a slight fall in the UK to £171.9m (£84.3m) being more than offset by a boost from overseas of £163m to £344.1m. Sales to group members accounted for £64.5m (£40.7m).

HIGHLIGHTS

Lex examines the Chancellor's spending statement and takes a quietly optimistic line for the gilt-edged market from the official projections for PSBR and the Medium Term Financial Strategy. Lex also looks at the dramatic fall in the fortunes of **John Brown**, the major engineering group, so shortly after a rights issue. The announcement of management failures in the machine tool division comes hot on the heels of a substantial placing of shares on the market. The column analyses the slump in **Pilkington's** UK performance where heavy losses *have countered the benefits of new acquisitions overseas* and strong growth outside the domestic market. Finally, Lex discusses the medium-term outlook for **Ferranti**, producing 47 per cent interim growth, by the time the Navy cuts become effective.

The directors explain that the pattern of the half-yearly results is little changed from the previous year, with continuing losses in the UK being offset by good performances from the overseas operations, and by income from float royalties.

The forecast made at the annual meeting in September, that there would be no upturn in the group's major UK markets during the first six months of the year, has proved to be correct.

The very poor trading results are directly related to the very low demand for company's products, leading to the underutilisation of manufacturing plants, they state.

The overseas companies overall have continued to perform well, directors say, with particularly strong performances in Australia and South Africa. The slowdown in the European economy, which is not as severe as that of the UK, has had some effect on German and Scandinavian operations, they point out.

The group's financial position remains strong, with debt equity ratio of 1 to 3.3.

Pre-tax figure for the six *months* included licensing income of £20.9m, against £17.5m, and associates share of £5.8m (£6.1m), but were subject to interest charges up from £4.2m to £7.7m.

Tax charge for the period has jumped from £9.7m to £27.3m giving a £4.4m loss compared with a £25.3m profit.

After *minority interests of* £5.5m (£2.2m) and an extraordinary credit of £16.9m (£2m debit) there was a £7m surplus, against a previous £21.1m. Loss per share, before the extraordinary items, was 5.9p (14.1p earnings).

Trading profit for the period, amounting to £3.9m (£15.6m), included six months profit of German and Brazilian companies—acquired in June 1980—compared with one month last time, and gave an improvement of some £9m, directors say.

The trading surplus was after depreciation of fixed assets, £34.8m (£18.5m), contribution to replacement of fixed assets £5.3m (£8m), and obsolescence of the same, £4.5m (£4m). If these items had been based on historical cost of fixed assets, the charge would have been £13.8m (£13.5m) lower at £30.8m (£17m).

See Lex

Irish Distillers down I£1m

TURNOVER of Irish Distillers Group was boosted from I£94.03m to I£123.56m, for the year ended September 30 1981, but despite a second half increase in pre-tax profits to I£2.59m, against I£1.33m, the full-year figure finished behind from I£6.3m to I£5.19m.

In June, the directors of this Dublin-based concern confirmed their forecast that the year's results were unlikely to match those of 1979-80.

The dividend is maintained at 3.06p net, however, with a same-again final payment of 2.18p per 25p share.

Above the line, interest took I£4.22m (I£3.78m) and depreciation I£...1.9m (I£1.19m), while the pre-tax figure included associates share of I£56,000 against I£59,000.

Tax charge was I£25,000 (I£210,000) for the half year and after minority interests amounting to I£10,000 (I£88,000), the attributable balance came through at I£5.21m compared with I£6.42m.

Stated earnings per share were 11.33p (13.97p). Dividends will absorb I£1.41m (same) leaving a retained profit of £3.8m (I£5.01m).

Management to buy out T & N division

Turner Newall, the diversified industrial products and construction engineering group, is to sell off the BIPEL engineering division of its British Industrial Plastics subsidiary in a management buy-out.

BIPEL is the largest UK supplier of compressive moulding equipment for the UK plastics industry. The entire equity is to be acquired by the three managers responsible for general operations, marketing and administration. Few financial details of the deal were available yesterday but the purchase price is understood to be less than £1m.

The sale was foreshadowed in September and follows the loss of 130 jobs in the division at the end of last month. The new company will take over the business as BIPEL Limited tomorrow and will provide jobs for the remaining workforce of 50.

Mr Albert Hargreaves, BIPEL's administration manager, said he believed reduced *manning levels and a slimmer* operation can allow a return to profitability. The business suffered "substantial losses" in 1980 and its losses have accelerated throughout 1981.

National Westminster Bank has assisted with the financing of the purchase and has promised BIPEL new working capital arrangements. Part of the purchase consideration will also be financed by the sale of some of BIPEL's existing fixed assets.

The company is to abandon the in-house manufacture of component parts. Disposal of the machinery involved will create additional space at its Streetly, Birmingham, plant and BIPEL will review the suitability of staying in this location at the expiry of a 1982 lease.

The management has already lined up West Midlands subcontractors to provide the machine components which BIPEL will assemble and distribute with full sales service.

Turner and Newall confirmed yesterday that the group's Streetly plant must still see 500 other redundancies before the end of this month under the terms of the sale agreed in the summer for British Industrial Plastics' plastic and rubber mouldings operation.

Mr Wilfrid Newton, the group's managing director, said additional lay-offs had to be expected next year "though not on the scale of the past 18 months." Turner and Newall has shed more than 5,000 UK jobs since the beginning of 1980.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$400	1	30	—	—	—	—	$407
GOLD C	$450	1	78	—	—	—	—	"
GOLD P	$375	5	6.50	—	—	—	—	"
GOLD P	$450	5	43	—	—	—	—	"
12½ NL 81 87-91								
C	F.102.50	—	—	—	—	5	4.50	F.105.60
C	F.105	—	—	5	2.70	20	3	"
P	F.107.50	50	0.50	—	—	20	1.50	"
P	F.102.50	100	0.40	—	—	—	—	"
P	F.105	—	—	—	—	10	3.10	"
12 NL 81 85-88								
C	F.102.50	—	—	—	—	5	2	F.101.90
P	F.100	—	—	—	—	8	2	"
P	F.102.50	20	1.70	—	—	—	—	"
10½ NL 80 86-95								
P	F.95	40	1.30	—	—	—	—	F.96.50
P	F.97.50	15	2.50	—	—	—	—	"
		Jan.		April		July		
ABN C	F.280	—	—	6	19	—	—	F.287.50
ABN C	F.300	—	—	35	7	—	—	"
ABN C	F.320	—	—	11	1.40	—	—	"
AKZO C	F.22.50	6	1.30	10	2.30	—	—	F.22.60
AKZO C	F.25	—	—	—	—	20	1.80	"
AKZO P	F.22.50	—	—	3	1.40	—	—	"
AMRO C	F.55	—	—	42	2.60	—	—	F.53.30
KODA C	$70	—	—	2	5	—	—	$70
HEIN C	F.45	—	—	5	3	—	—	F.44.30
HEIN C	F.50	—	—	7	1.30	—	—	"
HEIN C	F.55	20	0.20	—	—	—	—	"
KLM C	F.90	21	6.60	4	11.20	—	—	F.91.50
KLM C	F.100	28	2.70	5	7.50	—	—	"
KLM C	F.110	39	1.10	2	4.90	—	—	"
KLM C	F.120	3	0.50	5	2.50	—	—	"
KLM C	F.130	10	0.30	—	—	—	—	"
KLM P	F.80	70	1	—	—	—	—	"
KLM P	F.90	45	3.60	15	6.50	—	—	"
KLM P	F.100	21	10	—	—	—	—	"
NEDL C	F.140	18	8	5	15.50	—	—	F.145.70
NEDL C	F.150	10	3	—	—	—	—	"
NEDL C	F.160	98	0.50	5	4	—	—	"
NEDL P	F.140	25	2	—	—	—	—	"
NEDL P	F.150	35	8.30	—	—	—	—	"
NEDL P	F.160	5	16.50 B	—	—	—	—	"
NATN C	F.110	5	3	—	—	—	—	F.110
NATN C	F.115	—	—	9	2.60 B	—	—	"
NATN C	F.120	4	0.50	—	—	—	—	"
NATN P	F.115	—	—	5	6	—	—	"
PETR C	Fr.3500	—	—	—	—	1	1010	Fr.4040
PETR C	Fr.4500	—	—	1	120	—	—	"
PHIL C	F.20	20	0.60	3	1.50	—	—	F.19.70
PHIL C	F.22.50	—	—	—	—	10	0.90	"
PHIL C	F.25	—	—	9	0.30	—	—	"
PHIL P	F.17.50	—	—	—	—	15	0.90	"
PHIL P	F.20	65	1.50	—	—	—	—	"
RD C	F.70	41	19 A	—	—	—	—	F.86.30
RD C	F.80	11	10.20	—	—	—	—	"
RD C	F.90	141	3.50	128	7	—	—	"
RD C	F.100	66	0.90	64	3	—	—	"
RD P	F.70	—	—	10	1	—	—	"
RD P	F.80	118	0.60	12	2.30	—	—	"
RD P	F.90	25	3.80	24	5	—	—	"
UNIL C	F.140	5	12.70 A	—	—	—	—	F.150.60
UNIL C	F.160	—	—	2	4.30 B	—	—	"
UNIL C	F.170	8	0.50 A	—	—	—	—	"
UNIL P	F.140	5	0.60	—	—	—	—	"
UNIL P	F.150	17	4	19	5.80	—	—	"
		Feb.		May		Aug.		
SIEM C	DM.240	—	—	30	3.20	—	—	DM.204
VW C	DM.60	—	—	7	4	—	—	DM155.70

TOTAL VOLUME IN CONTRACTS: 1836
A=Asked B=Bid C=Call P=Put

Ferranti surges 47% to £9.4m and lifts interim

MUCH LOWER interest charges helped boost taxable profits of electrical and electronic engineering group Ferranti, which rose by 47 per cent from £6.4m to £9.4m in the half-year to September 30 1981, on turnover 18 per cent higher at £142.7m compared with £121.2m.

The interim dividend is being increased to 3p (2.5p) net per 50p share. Last year a total of 6.5p was paid from pre-tax profits of £18.1m. Earnings per share for the six months are given as 19.80p (14.81p).

The directors say the group's order book remains healthy although some areas have been and will continue to be affected by the government's review of defence expenditure. The group is competing successfully for overseas business and has recently launched several new products which have been well received.

A joint venture has been formed in the UK with General Telephone and Electronics Corporation of the U.S., which will enable Ferranti to increase its share of the telecommunications market. The directors say the group's successful semi-conductor operations in the U.S. have been further strengthened by the acquisition of two small companies in related fields.

Capital expenditure on new equipment and facilities totalled £11m.

The group entered the current year with a small surplus of cash deposits over borrowings, and the level of borrowings during the six months under review was low but will be higher in the second half the directors say. Interest charges fell from £1.7m to £200,000.

The share of associates' losses was £200,000 (same) and tax took £1m (£700,000) leaving net profits of £8.4m (£5.7m). Ordinary and preference dividends absorb £1.3m (£1.1m).

See Lex

Ashley Ashwood

Derek Alun-Jones, managing director of Ferranti.

London and Overseas receives boost from exchange gains

FOREIGN currency gains helped push pre-tax profits of London and Overseas Freighters from £561,000 to £1.35m for the six months to September 30 1981.

At the trading level there was a deficit of £1.4m compared with a profit of £162,000 last time. The taxable profit included a surplus on disposal of a vessel of £171,000 (nil), investment income and interest receivable of £1.14m (£1.41m) and foreign currency gains of £2.19m (loss £5,000) including unrealised holdings of £1.54m (nil).

If the group's dollar loans (including associated companies) were repaid on September 30 1981 at the rate of exchange quoted then for the pound against the dollar, the cost attributable to LOFs would have been £2.16m more than the book figure.

Tax this time took £93,000 (£174,000) and the debit for minority shareholders rose from £37,000 to £68,000. The share of net losses of associated companies fell from £571,000 to £285,000, which left attributable profits of £902,000, compared with losses of £221,000.

An analysis of the associates shows LOF (Jersey) net loss £464,000 (£459,000) and London and Overseas Bulk Carriers net profit £179,000 (£112,000 loss).

For the year to March 31, 1981, the group incurred a pre-tax loss of £127,000 but paid a net dividend of 1.072p per 25p share.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: British and American Film, Burnett and Hallamshire, Castings, Cawoods, Crosby Woodfield, Dawson International, Fine Art Developments, General Electric, Leigh Interests, Pauls and Waites, Plessey, Routledge and Kegan Paul, Scapa.

Finals: Sir Joseph Causton, Greenall Whitley, Royal Bank of Scotland, Trans-Oceanic Trust, United Wire.

FUTURE DATES

Interims—	
Arlington Motor	Dec 10
Braithwaite Engineers	Dec 9
Whitecroft	Dec 14
Finals—	
Archimedes Invest. Trust	Dec 8
BOC	Dec 14
Carr's Milling Industries	Dec 15
Construction Holdings	Dec 8
Elson and Robbins	Dec 16
Martin The Newsagent	Dec 14
Trafalgar House	Dec 7
United Spring and Steel	Dec 11

Thorpac on target with £135,000 profits midway

IN ITS first interim report, Thorpac, deep freeze packaging and accessories concern, reveals pre-tax profits of £135,000 on turnover of £1.45m for the period ended September 30 1981 which are in line with forecasts despite difficult trading conditions, directors state.

And as forecast, the interim dividend is 0.91p per share payable on January 15—a similar amount for the final payment is also forecast.

Figures for the year ended March 31 1981 which include only six months' results from Montpellier Frozen Foods—it started trading on October 1 1980—show turnover of £2.18m and pre-tax profits of £151,000.

In July the directors said that the taxable surplus for the whole of the current year would be not less than £252,000.

After six months tax of £48,000 and the interim dividend cost of £14,000—excluding waivers of £6,825—the retained balance was £73,000. Earnings per share are shown as 3.8p (6.9p at March 31).

Thorpac is traded on the USM.

Ocean Wilsons turns in £1.9m at halftime

PRE-TAX profits of Ocean Wilsons (Holdings) for the first half of 1981 totalled £1.88m, against £2.32m for the six months to July 31, 1980, and the directors forecast that the year's result should not be less than the £3.22m reported for the 11 months to December 31, 1980.

Half-year group turnover amounted to £23.92m (£24.65m) and profits were struck after associated losses of £54,000 (gains £157,000), UK investment income and interest £282,000 (£198,000) and exchange losses £142,000 (£117,000 gain).

Net profits were £842,000 (£1.15m) for earnings of 3.18p (4.35p) per 20p share and the net interim dividend is held at 0.75p. The total payment for the previous 11 months was 2.6p.

Downturn at Cardiff Property

For the year to September 30, 1981, pre-tax profits of Cardiff Property Co. fell from £54,675 to £28,193. At mid-term the net result was lower at £12,068 against £17,836, which included an extraordinary item of £12,854.

Tax for the 12 months took £5,741 (£448 credit), leaving net profits down from £55,123 to £22,452. Earnings per 20p share are stated at 1.6p (2.6p) and the net total dividend is held at 1.6p with a final payment of 1p.

The directors report that planning permission has now been obtained in respect of recently acquired properties in Berkshire. Refurbishing is proceeding with a view to early lettings and further acquisitions are being contemplated.

Fleet Street Letter ahead at half time

Pre-tax profits of Fleet Street Letter, which came to the Unlisted Securities Market in August, expanded from £89,554 to £149,450 in the six months to September 30 1981 and the directors forecast results for the full year will comfortably exceed the £301,104 for 1980-81.

Turnover improved from £272,915 to £367,002 for the half year and bank deposit interest added a further £30,277 (£17,410). Tax for the period took £76,830 (£46,645) and earnings per 5p share rose from 1.43p to 2.42p.

Country Gentlemen's in better shape

For the half year to September 30 1981 the Country Gentlemen's Association returned pre-tax profits of £102,882, compared with a loss of £29,183, on higher turnover of £1.23m, against £1.14m.

The directors of the company, which provides general agency, consultancy, advisory and other services to members of the Association, state that policy changes implemented to improve profitability are now working well. They consider they have dealt with the persistent problems which have affected the company over the past few years.

For the 1980-81 pre-tax profits were £65,252 (£3,963 loss) after reorganisation costs of £49,580 (nil). A single dividend of 25p per £1 share was paid.

Yearling issue totals £16m

Yearling bonds totalling £16m at 14⅝ per cent redeemable on December 8 1982 have been issued this week by the following local authorities.

Basingstoke and Deane BC £0.75m; Staffordshire CC £1.5m; Carlisle (City of) £0.5m; North Devon DC £0.5m; North Hertfordshire DC £0.5m; Greater London Council £2.5m; East Kilbride DC £1m; Hounslow (London Borough of) £0.5m; Thamesdown (Borough of) £0.5m; West Yorkshire Metropolitan DC £0.75m; Northavon DC £0.5m; Tameside Metropolitan BC £0.5m; Wimborne DC £0.25m; Wirral BC £1.25m; Central Scotland Water Development Board £0.5m; Chiltern DC £0.5m; Greenwich (London Borough of) £1.5m; Sheffield (City of) £2m.

Silverthorne expansion

Despite a slip in the second half the Unochrome Industries subsidiary Silverthorne Group finished the year to September 27 1981 with taxable profit £91,000 ahead at £357,000. On a current cost basis the profit of this metal finisher and consumer goods maker soared from £63,000 to £237,000.

Midway the historic surplus had jumped from £129,000 to £237,000 but the company did not expect this level to be achieved in the second six months. Stated earnings per 10p share for the year came out up from 4.43p to 7.89p after tax of £81,000 (£111,000) and a net final dividend of 1.25p lifts the total payout to 1.75p (1.5p).

Sales for the year dipped to £4.04m (£4.16m).

Home Brewery

Trading profits of the Nottingham-based Home Brewery improved from £3.67m to £4.94m in the year to September 30 1981. Other income amounted to £1.25m compared with £1.43m.

There was a surplus of £109,000 (£179,000) on the disposal of assets. Tax for the year took £3.4m (£3.27m). The total dividend payment is increased from 6.5p to 7.3p with a final of 5.3p (4.5p).

Home Brewery is a "close" company.

PHARAOH GANE

Petitions by Pharaoh Gane for a reduction in capital presented to the court on November 30 1981 were approved.

CHAS. CLIFFORD AWAITS COURT

At the court meetings of all three classes of shareholders in Charles Clifford Industries, resolutions to approve the proposed scheme of arrangement were passed by the requisite majorities.

Subject to the approval of the court, it is expected that the scheme will become effective on December 21.

SPAIN

December 2	Price %	+ or −
Banco Bilbao	334	−4
Banco Central	340	−2
Banco Exterior	310	
Banco Hispano	329	−1
Banco Ind. Cat.	115	
Banco Santander	369	−2
Banco Urquijo	218	+1
Banco Vizcaya	355	−4
Banco Zaragoza	214	−2
Dragados	151	+1
Espanola Zinc	63	−1
Fecsa	68	+0.5
Gal. Preciados	60	−2
Hidrola	78.7	−0.8
Iberduero	56.5	−0.5
Petroleos	93.7	
Petrolibar	90	+4
Sogefisa	40	
Telefonica	79.5	
Union Elect.	76	+0.5

RGC looks to the long term

BY KENNETH MARSTON, MINING EDITOR

"THE RESTRUCTURED group can look forward to enhanced growth opportunities in the 1980s and beyond," says Mr M. J. Roberts in his chairman's review in the first annual report of **Renison Goldfields Consolidated** (RGC), the company which from July 24 has represented the merger of **Consolidated Gold Fields'** Australian mining companies.

Objectives of RGC, as spelled out by Mr Mitchell, include growth as an independent Australian natural resources group and above average growth in earnings and dividends.

He points out that the company's "naturalised" status will enable it to go ahead with the development of natural resources projects (except uranium) free from any requirements to increase Australian ownership. Consolidated Gold Fields holds 49 per cent of RGC, the rest being publicly owned.

The immediate future, however, will provide no easy ride for RGC. Although the group's copper-producing Mount Lyell has kept its operating costs below the world copper producers' average, its revenue is being hit by the relative strength of the Australian dollar coupled with the low level of copper prices.

The mineral sand-producing Associated Minerals Consolidated has been affected by depressed market conditions, delays in the commissioning of the expanded facilities at Eneabba and higher than expected start-up costs and delays at the Florida operations. But plant changes should improve matters.

The big Renison tin mine in Tasmania will have the benefit of increased capacity in 1982 but Mr Roberts points out that its results will still depend to a large degree on the price of tin and harmonious industrial relations, "which have not been present during the first three months of the current year.

Batchelor Lake's new Quebec gold mine

A NEW Canadian gold mine is due to start up this month. It is the small underground operation in Quebec of **Batchelorf Lake Gold Mines** in the **Conlagas** group. It will have been brought to production both on time and within budget at a cost of some C$9.2m (£m).

The newcomer also has the advantage of having been funded entirely by equity financing which was carried out in 1980 and *raised C$10.5m. Consequently*, good interest has been earned on these funds and, having no debts to clear, Batchelor Lake is in a position to secure an early flow of profits and, eventually, reach the dividend paying stage.

Full production is envisaged at an annual rate of 180,000 tons of ore milled for 32,000 oz of gold. This gives a life of some six years on the basis of ore reserves of around 1m tons with a good grade of 6 grammes gold per ton.

However, the deposit is still open, both at depth and along strike, so that it is hoped to prove up further ore reserves. Thus with likely working costs thought to be in the region of US$210 per ounce of gold the Batchelor Lake property seems set to fulfil its earlier promise.

It was originally acquired by **Sturgeon Lake River Mines** in 1961 and a certain amount of shaftsinking and underground exploration work was carried out. More work was done in the early 1970s, but financing plans came to a halt in 1974 with the weakness in the gold price which remained below US$200 until the latter part of 1978.

Idris bid awaited

AS INDICATED here last week, shareholders of London's **Idris Hydraulic Tin** may hope for a bid of M$14 (about 319p) for their shares to be made in due course by Malaysia's **Syarikat PKB**. The latter recently purchased 34.[illegible] per cent of Idris at a price of M14 per share from **Straits Trading**.

Idris has received an announcement from **UDA Merchant Bankers** on behalf of Syarikat stating that Syarikat has undertaken to comply with all requirements under the City Code on Takeovers and Mergers and to obtain all necessary approvals of the Malaysian authorities in so far as the same may be applicable to this transaction.

As Idris points out, the transaction obliges Syarikat under the provisions of the City Code to make a take-over offer on the same terms to all shareholders of Idris.

The latter may well welcome such an offer, bearing in mind *the fact that Idris shares were* standing at around only 155p when dealings were suspended on October 6 following a major landslide at the company's Malaysian tin mining property.

However, some Idris holders are less pleased at the fact that dealings in their shares remain suspended despite the company's application to have the suspension lifted.

A decision on this rests with the London Stock Exchange which takes the view that the suspension should remain until formal offer documents are sent out.

Idris, which is being advised by **Standard Chartered Merchant Bank**, says that it will be making a further announcement as soon as there is something more definite to report. At this stage, however, it is not possible to say when the formal offer for the shares will be made.

South African gold dividends

WHILE lower dividends from the South African gold mines are now the order of the day following the fall in the bullion price, some better than expected half-yearly payments are declared by the producers in the **Union Corporation General Mining** group.

Stilfontein shows up well with a final for 1981 of 180 cents (95p) which makes a total for the year of 310 cents against 460 cents for the 1980 boom year. The veteran **West Rand Consolidated** has maintained its final at 10 cents to bring the year's total to 15 cents against 17.5 cents.

In the case of **Buffelsfontein**, the latest payment of 260 cents is an interim for the current year to next June. It goes against 310 cents a year ago and the subsequent final for 1980-81 of 400 cents.

A. Cohen little changed

Taxable profits of **A. Cohen and Co** slipped from £1.19m to £1.15m in the first half of 1981, on higher turnover of £18.19m against £17.81m last time. The profits included associated earnings £17,000 higher at £182,000.

The interim dividend is being increased from 2.6p net per 20p share to 2.73p. Last year a total of 7.5p was paid on pre-tax profits of £2.42m. Earnings per share for the six months are given as 25.65p (28.12p).

Second half profits will be similar to those now reported the directors say.

Tax took £593,000 (£548,000) and minority interests were £115,000 (£124,000).

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB — Telephone 01-621 1212

1980-81 High	1980-81 Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
115	100	ABI Hldgs. 10pc CULS	115	—	10.0	8.7	—	—
76	39	Airsprung	66	—	4.7	7.1	10.5	14.5
52	31	Armitage and Rhodes	43	—	4.3	10.0	3.6	8.1
200	92½	Bardon Hill	190	—	9.7	5.1	9.2	11.2
104	86	Deborah Services	91	—	5.5	6.0	4.5	8.5
125	86	Frank Horsell	120	—	6.4	5.3	10.8	26.1
110	39	Frederick Parker	60	—	1.7	2.8	26.1	—
110	46	George Blair	46	—	—	—	—	—
102	93	IPC	100	—	7.3	7.3	7.2	10.9
113	59	Jackson Group	97	—	7.0	7.2	3.1	6.9
130	103	James Burrough	109xd	—	8.7	8.0	8.0	10.0
334	244	Robert Jenkins	268	—	31.3	11.7	3.7	9.5
59	50	Scruttons "A"	53xd	—	5.3	10.0	8.2	7.8
224	172	Torday	173	—	15.1	8.7	6.7	11.5
23	8	Twinlock Ord.	13½	—	—	—	—	—
90	62	Twinlock 15pc ULS	72xi	—	15.0	20.8	—	—
55	32	Unilock Holdings	32	—	3.0	9.4	5.7	9.7
100	73	Walter Alexander	79	—	6.4	8.1	5.2	9.2
255	181	W. S. Yeates	214	—	13.1	6.1	4.1	8.2

City of Dublin Bank passes I£1m

DESPITE interest charges increasing from I£6.68m to I£7.48m and expenses up from £2.13m to £2.39m, pre-tax profits of City of **Dublin Bank** improved by 61 per cent from £643,846 to a record £1.04m in the year to September 30, 1981. Gross income rose by 15 per cent to £10.91m.

The final dividend is raised from 1.75p (Irish) to 2.0125p net for an increased total of 2.8875p (2.625p).

The pre-tax figure last time included a provision of £250,000 for doubtful debts. Tax for the year rose from £258,532 to £439,973, and retained profits emerged up from £147,775 to £307,777. Stated earnings per 25p share were 6.16p (4.26p).

Mr Thomas Kenney, the chairman says all subsidiaries operated profitably and above their results for the previous year. Irish Bank of Commerce did particularly well.

Independent surveyors have revalued the company's properties and this has yielded a surplus of £290,551. From this surplus the board has eliminated the item of goodwill, £253,413, from the balance sheet.

Mr Kenny says no prescription has yet been written to halt the decline in Ireland's financial affairs. "We hope to stay in the million pound profit bracket—even if government makes that achievement more difficult," he says.

James Crean's decline in line with forecast

IN LINE with mid-year forecasts *taxable profits of* **James Crean**, the Irish-based holding company, declined from I£2.19m to I£1.53m for the 12 months to June 30 1981 on turnover ahead at £44.92m, compared with £35.91m.

The directors, who describe the results as disappointing, say the outlook for Savage Smyth is less favourable than last year but the position of the other subsidiaries is more favourable. They are optimistic that group earnings for the current year will be significantly above those of the year under review.

In view of the outlook it has increased final dividend of 5p net (4.825p), which raises the total to 7p (6.825p) per 25p share.

Tax for the year took £233,000 (£314,000) and after minorities of £323,000 (£274,000) and an extraordinary credit of £15,000 (£149,000 debit) the attributable profit emerged at £988,000 (£1.45m).

Stated earnings per share were well down at 12.71p (21.38p).

At mid-year pre-tax profits were lower at £816,000 (£971,000).

NO INTERIM FROM CARRON

Carron Company (Holdings) has so far been better in the second half of 1981 than in the first, the improvement is less than hoped for and accordingly the board has decided to omit the interim dividend.

Consideration of an interim had been deferred from August, when first-half losses before tax of £771,000 (£67,000 profits) were reported. Last year's interim was 0.85p net. The company *makes metal, plastic, ceramic* and general engineering products.

NCC Energy to issue 3.46m shares

NCC Energy, which has been trying to merge with Simplicity Pattern Company of the U.S has still not reached control, it has been buying more shares in the market.

Yesterday NCC announced it would be issuing 3.46m of its own shares, "on the basis of 100p a share," to buy a further 631,000 Simplicity shares and take its stake to 20.02 per cent.

Together with the 13.5 per cent bought last week by Waltons Bond, a company controlled by Australian Mr Alan Bond, NCC is laying claim to 33.37 per cent of Simplicity. It intends to buy more shares.

Yesterday's announcement by NCC did not include details of the forecast joint venture between Mr Bond and NCC. Details had been promised by the end of last week.

Allied Irish link-up with Irish Shipping

Allied Irish Banks and Irish Shipping are to form a new jointly-owned company which will have interests in property, insurance and Continental ferries.

Allied Irish will subscribe I£8m for its 25 per cent shareholding in the new company—Ocean Bank Developments. Irish Shipping, itself owned by the Irish Government, will own the other 75 per cent.

The deal gives Allied Irish an extra interest in the Insurance Corporation of Ireland, in which it recently bought 1.86m shares at I£5.50 per share.

These deals, together with an option for the bank to increase its holdings in Ocean Bank Development by 30 per cent, would mean that Allied Irish could hold a maximum 34.3 per cent of Insurance Corporation of Ireland.

Allied Bank stresses that the new venture is not part of a policy of moving into ownership as practiced by some continental banks. Irish Shipping is the most successful of the Irish state companies and the deal is seen as an attractive outlet for Allied's large cash holdings.

BP SELLING VIKOMA

British Petroleum has accepted an offer from an unnamed buyer for Vikoma International, its subsidiary manufacturing pollution control equipment. Terms have still to be negotiated and last night BP would not put a price on the deal.

However, it said that Vikoma, which is expecting a turnover of £2.5m this year, would still manufacture equipment under licence from BP. It planned to consolidate its manufacturing facilities in the UK and add new ones in the U.S.

Trafalgar sells its Kier stake

BY CHRISTINE MOIR

Trafalgar House has sold its 15.1 per cent stake in French Kier, the civil engineering and construction group, apparently to Fairclough Construction.

The 7.125m shares, acquired only six months previously by Trafalgar, were placed late yesterday afternoon at 89p each, valuing the stake at £6.4m.

The market manoeuvre, which was complicated by a rash of independent selling of French Kier's shares, was carried out by De Zoete and Bevan, which bought the stake for Trafalgar in May, and Phillips and Drew, French Kier's brokers.

After the deal had been completed the share price lifted slightly to close unchanged at 92p.

It was a busy day for Trafalgar. Revelations that it had shelved plans to demerge its Express Newspapers and publishing divison, forced Lord Matthews, chairman of the publishing side to deny that The Express group was for sale.

At the same time Trafalgar published its formal offer document covering the agreed £4.5m bid for South Wales Argus (Holdings).

Consideration for the deal, Express Newspapers will acquire the whole of the share capital of Argus, will be satisfied by the issue of unlisted unsecured loan stock 1986 of Express. In order to reduce the expenses of the acquisition it is proposed that Argus should effect a capital reorganisation.

For the year to January 31, 1981 Argus returned pre-tax profits of £389,196 on turnover of £3.37m. Fixed assets were £840,402 and net current assets totalled £516,337.

Merrett Hlds. sees profits of £2.8m

BY JOHN MOORE

Merrett Holdings, the company which owns the Lloyd's underwriting agency headed by Mr Stephen Merrett, has forecast that the consolidated profit before tax and extraordinary items for the year ending December 31 1981 will be "approximately £2.8m."

Profit attributable to ordinary shareholders after tax and before extraordinary items will be £1.2m. On the basis of the forecast, earnings per share will be about 6p.

The details are revealed in the document connected with the group's placing of 1.5m 10p shares at 105p each with a number of institutions and underwriting members of the Merrett syndicates. The issue represents 7.5 per cent of the issued share capital of the holding company. It has been made to "facilitate future expansion."

The forecast profit is a reduction on the profits of £3.67m declared in the previous financial year. This has arisen because expenses, including interest, are expected to be about £1.4m in 1981 compared with £350,000 in 1980. A large part of the increase, £750,000, is accounted for by interest costs on the loan to finance the purchase of Arthur Castle House and by depreciation and other costs associated with this.

Merrett Holdings expects that profits before tax and extraordinary items for the year ending December 31 1982 will be in the region of £4.4m and profit attributable to ordinary shareholders after tax and before extraordinary items will be in the region of £2¼. On the basis of this forecast earnings per share will be about 10p.

This forecast includes profit commission attributable to Merrett Syndicates of £4.1m. The overall results of the syndicates are expected to show an improvement over the previous year, due to a further substantial increase in investment income and capital appreciation arising from the continuing high level of interest rates in the U.S. and UK during 1981.

It is expected that this increase will be offset by a fall in underwriting profits. The profit commission receivable in 1982 will benefit from an unusually large gain on exchange made by the syndicates from foreign currency holdings which it is estimated will contribute approximately £850,000 to the forecast profit commission.

The directors of the holding company do not intend to recommend the payment of a dividend in respect of the year ending December 31 1981. Surplus cash generated during 1982 will be used to reduce borrowings, in particular the loan secured on Arthur Castle House. The directors expect the first dividend to be paid in 1983.

UNILEVER EXPANDS IN IVORY COAST

After discussions with the authorities in the Ivory Coast the Blohorn Company of that country and Unilever have announced that, subject to various formalities, Unilever will acquire a majority shareholding in the Blohorn by the purchase of shares held by existing non-Ivoirian shareholders.

Blohorn is involved in the manufacture of detergents and edible fats. The consideration will not be significant in relation to the total assets of Unilever.

Tootal scheme for Bradmill under scrutiny

By Graeme Johnson in Sydney

THE PLAN by Tootal, one of Britain's largest textile group's, to dispose of its 49.5 per cent stake in Bradmill Industries, a major Australian textile and clothing company, has hit a snag. The National Companies and Securities Commission has decided to suspend trading in Bradmill's shares.

The NCSC (Australia's national corporate watchdog) had earlier asked the Sydney Stock Exchange to suspend trading in Bradmill, but this was ignored.

Tootal announced last week that it had agreed to sell 19.5 per cent of its Bradmill holding and other assets to Bruck Australia, a local textile group. A condition of the sale was that Bruck launched a takeover offer for the rest of the Bradmill shares.

The suspension of trading in Bradmill shares coincides with the NCSC decision to call a private meeting of the parties involved to discuss some of the facts relating to Bruck's A$32m (£19m) bid for the Sydney textile group.

This is seen as the first time the NCSC has exercised its wide ranging power to force companies to reveal the full circumstances surrounding a bid.

The suspension will stay in force until the NCSC has completed its hearings, or for 21 days whichever is the sooner.

The NCSC said it would be seeking more information into the A$20m sale of Tootal's La Mode subsidiary to Bruck, which included the 19.5 per cent stake in Bradmill at a price of 75 cents per share. Bruck then extended the 75 cents per share offer for the rest of Tootal's holding, although Bradmill's market price was substantially above the bid.

What is questionable about the deal is the apparently generous price Bruck paid Tootal for goodwill and trademarks, including the use of the Tootal name in Australia.

Mr David Tattersall, the Tootal finance director, said yesterday that he did not see the suspension as a "significant development." Tootal would be happy to co-operate in any way and give any information requested, he said.

Mr Tattersall said he saw "no problems to the deal going through." There was "nothing to hide. . . . in a lot of ways we welcome the NCSC probe to clear the air."

Mr Tattersall admitted that the disparity between the bid price and the Bradmill market price looked slightly odd, but he felt that was something for Mr Joseph Brender (the chairman of Bruck) to answer.

ZOCHONIS

The trustees of a Zochonis family settlement have sold 518,519 "A" (non-voting) ordinary shares and 9,093 ordinary shares in PZ to meet taxation liabilities arising from the death of a member of the Zochonis family.

Jenks lifts bid for Elliott

Jenks and Cattell, the Wolverhampton-based manufacturer of garden tools, has complied with last week's ruling by the Takeover Panel that it must increase the terms of the bid, it announced on October 21, for builder and joiner Elliott Group of Peterborough.

In place of a five-for-six share exchange offer—initially worth 54p per Elliott share—and a cash alternative of 28p per share, Jenks and Cattell will now offer a one-for-one share exchange or 39.5p per share. Eluliott's shares closed up 2p at 43p last night while Jenks and Cattell were down 8p at 60p.

Jenks and Cattell's brokers, Bone Fitzgerald, have received irrevocable undertakings to accept the revised bid from shares representing 24.2 per cent of Elliott's equity. A 4.6 per cent block is held by a Malaysian shareholder acting in concert with the company.

Mr Chris Bone, chairman of Bone Fitzgerald, said last night that holders of an additional 1,643,000 shares (12.3 per cent) had told him of their intention to provide similar undertakings, though these had not yet been received.

The Takeover Panel required the change of terms when it discovered that shares acting in concert with the bidder had been acquired at various prices up to a maximum of 39.5p each over the summer. Rule 33 of the Takeover Code precludes a bidder offering less for shares than has been paid by any concert party within the 12 months prior to the bid's announcement.

Disclosure of the summer's share transactions followed an investigation by Elliott into dealings in its shares by Malaysian interests. Prices over 28p were discovered by Greyhound Guarantee, the merchant banking and financial services subsidiary of Greyhound Corporation of the U.S., acting on behalf of Elliott.

The Takeover Panel said last night that there were "no grounds at all for thinking Jenks and Cattell had had any knowledge of the dealings at the higher prices."

Mr Michael Reeve, joint managing director of Greyhound Guarantee and a non-executive director of Elliott, said the company could not comment on the new offer until it had seen the full offer document. The industrial logic of the bid was "still less than clear, as too the financial implications."

Mr Terence Leece, managing director of Jenks and Cattell, said it was hoped to post a formal offer document before the end of the week. Reiterating that the company had made full provisions to finance the proposed acquisition in cash if necessary, he said that shareholders undertaking to acept the bid so far had agreed to take the share offer.

Benefits for Scottish economy—Royal

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE Royal Bank of Scotland said yesterday that its merger proposals would benefit the Scottish economy, and it warned against putting a "ring fence" around Scotland's economy.

The statement was the second defence this week of the group's hopes to merge with Standard Chartered. A report on rival bids for the Royal from Standard and the Hongkong Shanghai Banking Corporation by the Monopolies and Mergers Commission is to be handed to the Government in the next few week.

As reported on Tuesday, the Royal claimed that a merger with the Hong Kong bank would not be in the interests of British banking.

Yesterday's statement concentrated on the impact on Scotland of a merger. In an oblique reference to a possible recommendation by the Commission to turn down the bids in the public interest, Royal said: "It is an illusion to imagine that it is possible to place a 'ring fence' around Scottish-based companies, simply on the grounds they are Scottish. The UK is a unitary economy, perhaps especially so in its financial markets, and the Scottish banks, among others, can prosper only by continuing to be in the main stream."

"Ring fencing," or other artificial constraints, "would do no service to them or the Scottish economy," it stated.

Royal rejected a view by several Scottish institutions that a takeover by an outside bank would damage Edinburgh's financial community, including its investment fund management houses.

Relations with industry in Scotland, it said, would benefit through a merger offering enhanced services. With a large sector of foreign-owned business in Scotland, a bank seeking to maintain leadership and give sufficient service to Scottish customers needed a strong international dimension, it added.

Defending a merger rather than an international expansion, the Royal explained that the establishment of an international branch network would place heavy demands on the group's financial and management resources, and building up an overseas customer base would be a slow process.

An alternative choice was finding a bank with an international base—meaning Standard Chartered—to complement the domestic base of the Royal group, while ensuring that the group retains sufficient influence to safeguard its commitment to Scotland.

Lombard North jumps

AN INCREASE of £33.4m to £49.8m in pre-tax profits is reported by Lombard North Central, banker and financier, for the year to September 30, 1981. The directors say the pre-tax figure is materially higher than that of any previous year in the group's history.

The improvement seen in the first half continued into the latter half, despite higher interest rates in the last quarter. New business picked up in the second half and the volume of new business transacted in the UK in the year increased modestly over 1980.

Industrial finance accounted for over 68 per cent of turnover. Much of the group's increased business again resulted from the leasing of high-cost equipment, aircraft and ships.

The group received a tax credit of £31.9m (£83.8m) for the year.

There was a transfer of £56.1m (£92.8m) to special reserve and after accounting for £12.5m (£7.5m) for the proposed ordinary dividend, retained profits amounted to £18.6m (£3.9m). Stated earnings per 25p share fell from 161.9p to 131.2p.

Lombard North Central is a subsidiary of National Westminster Bank.

FRENCH 'BULLDOG'

A coupon of 16 per cent was fixed yesterday on the £30m "bulldog" bond launched as a private placement for Caisse Nationale des Autoroutes, the French motorway agency.

Lead-manager Kleinwort Benson said the issue had been completed with an issue price of £97.483 per cent, to offer an initial gross redemption yield of 16.43 per cent. This yield is 1.15 per cent above the basket of three gilts upon which the pricing was based.

Mexico heads for record $20bn foreign borrowing

BY PETER MONTAGNON AND WILLIAM CHISLETT IN MEXICO CITY

GROSS FOREIGN borrowing by the Mexican public sector will be around $20bn next year for the second year running despite a decline of about $4bn in net borrowing needs, commercial bankers here estimate.

Sr David Ibarra, Mexico's Finance Minister, has already stated that the public sector's net requirement in 1982 would be $11bn compared with a massive $14.9bn this year.

But commercial bankers say that Mexico also has to repay about $6bn to $7bn in short-term foreign debt next year as well, as $3.3bn in long-term debts. "Borrowing to repay this debt gives a total financing requirement of at least $20bn, a figure that has thus far been played down by Mexican officials, the bankers add.

Little indication has been forthcoming so far as to how Mexico will find this money. This year it has succeeded in meeting its needs only by very heavy short-term borrowing, often, on terms extremely generous to the banks.

For next year there seems to be little doubt that margins on medium-term loans will have to be increased significantly. Already a $500m loan package for Nasinsa, the state development bank, is going slowly despite its margins of ⅝ per cent above London inter-bank offered rate, which is ⅜ point higher than on previous borrowings.

But despite Mexico's serious economic problems foreign bankers here still believe that the country's total needs can be met at the right price. Indeed, some are rubbing their hands in glee at what they see as an increase in profitability on Mexican business.

This year Mexico has had to raise about $4bn to repay existing long-term debt as well as the $14.9bn in new money.

Pennzoil shuts copper operations

BY OUR FINANCIAL STAFF

PENNZOIL, THE U.S. energy and natural resources group which through its Duval Corporation subsidiary is the fifth largest U.S. copper producer, is to shut its copper mining operations for three months.

The ceasing of copper operations, which will also affect its associated molybdenum and gold and silver production, is a result of the continued low copper price, which now stands, in real terms, at its lowest level for around 20 years.

Pennzoil said there was "no sense for us to sell copper at prices substantially below production cost" and added that it would not sell any additional copper at present prices, although existing contracts would be honoured.

In 1980 metals mining operations of Pennzoil contributed about 17 per cent of operating income of $815m, while oil and gas production and refining and marketing accounted for 65 per cent, with the remainder taken up by its potash and sulphur mining businesses. It produced about 120,000 tonnes of copper in 1980.

The decision to close the copper operations is the most decisive action taken by any of the major U.S. copper producers and would reflect as well the poor prices currently being received for its output of molybdenum and gold and silver. Of its 3,000 copper workers, 2,000 will lose their jobs.

It is not the first time Pennzoil has taken such a step, as one of the mines to be shut now, Esperanza, a copper, molybdenum and gold and silver mine in Arizona, was only reopened in March 1979 after poor copper prices forced its closure 18 months earlier.

The other mines are also in Arizona, including the associated Sierrita mine, south of Tucson,

Shipping advice from Wardley

By William Hall, Banking Correspondent

WARDLEY, the merchant banking arm of the Hongkong and Shanghai Banking Corporation, has set up Wardley Shipping Services to advise and finance investors wanting to enter the shipping business.

Mr Roger Hampson-Taylor, a director of Wardley, said there are many people in the Far East who have made money in such areas as property, who want to diversify into shipping, which provides potential for capital appreciation.

Rembrandt lifts earnings

BY OUR FINANCIAL STAFF

REMBRANDT, the South African liquor and tobacco group, has reported a 14.7 per cent increase in taxed income for the half-year ended September to R54.5m ($56.7m) from R47.5m a year earlier.

Earnings per share were 161.2 cents, up from 131 cents. The interim dividend was raised to 23 cents a share from 18 cents. The company does not give revenue figures.

The group controls numerous cigarette and liquor companies in the UK and elsewhere, including Rothmans International. It also has extensive South African mining and banking interests.

Earlier this year the group, still headed by its founder Dr Anton Rupert, struck a controversial deal with Philip Morris, the world's second-largest tobacco company.

Without explanation for the move, Rembrandt sold Morris about half its holdings in Rothmans Tobacco Holdings, a UK company which had a controlling stake in Rothmans International.

The deal, valued at $350m, was sharply criticised by some Rothmans' shareholders and R. J. Reynolds, the U.S. tobacco company that thought it was negotiating the same deal with Rembrandt.

World Bank plans loan curbs on Mexicans

By Our Mexico City Correspondent

THE WORLD BANK is trying to scale down its lending to Mexico because of the growing demands on the bank's resources from less advanced developing countries, according to Mexican Government officials.

The bank has told Mexico that it would prefer to lend solely on a co-financing basis in future so that the cost of projects it finances in Mexico is shared with commercial banks.

This would have the effect of reducing The World Bank's contribution to Mexico's development at a time when the country is badly strapped for cash. Its foreign debt of almost $64bn now equals Brazil's.

In its last fiscal year, The World Bank lent Mexico some $1bn from its ordinary resources mainly to finance social infrastructure projects.

But its attempt to impose a mandatory co-financing rule in Mexico seems likely to run into resistance, the officials said. Co-financings are more costly to arrange because they involve complicated legal documentation, and because the commercial bank share is priced at expensive floating rates of interest.

In addition, commercial banks which get involved in co-financing deals are not willing to match the 17- to 18-year maturity on World Bank loans.

Co-financing is seen by the World Bank as a major plank in its efforts to increase capital flows to developing countries.

Some banks have also been lukewarm to the idea because of doubts about the desirability of mandatory cross-default clauses.

But the bank has a powerful weapon to wield in Mexico's case. Pressure is growing from some industrial countries, notably the U.S., for Mexico to be declared ineligible to borrow from the World Bank at all. Like Venezuela before it, Mexico's standard of living could be deemed too high to merit such a privilege.

The bio-technology market leader has yet to make a sale or pay a dividend but, as **David Lascelles** reports, its optimism persists

Genentech snug in the incubator

OCTOBER 14 1980 is a day they still talk about on Wall Street. That was when Genentech went public amid a blaze of high techfever that was to last for months. Issued at $35 apiece at 10 am, the shares took off like a rocket and the price hit $86 by lunchtime as investors scrambled for the hottest stock in a decade.

Since then, not surprisingly, things have cooled off a bit. Genentech came out of orbit, and earlier this week it was trading at $38, only $3 above its issue price.

Not that Genentech has turned out to be a damp squib: rather the opposite. When Mr Robert Swanson, Genentech's co-founder and president, held a meeting with Wall Street's stock analysts earlier this week, the room was jammed to bursting. But, as one of the audience remarked: "This is a hell of a turnout for a company that has no sales and no earnings."

The point is that anyone who invests in Genentech must be long on faith and patience. Despite all the pezzazz, the company has still not brought to market any of its supposedly epoch-making products like Interferon, a possible cancer cure, or a vaccine for foot and mouth disease. It is unlikely to do so before the second half of next year—and like all medicines, they must pass the rigorous scrutiny of the U.S. regulatory authorities which are far stricter than their European counterparts. Because of this, there are no profits worth speaking of, let alone dividends.

But as Mr Swanson said in his address: "With the products Genentech currently has in the pipeline, you are betting on management's ability to focus and to implement our strategies to make those profits happen."

At the moment, Genentech is not so much a commercial company as a hothouse of molecular biological invention. It has a staff of about 350 at its California plant, almost all of them scientists doing research and development—one in five of its employees has a PhD. About 80 per cent of total spending, or nearly $17m this year, goes on R and D.

Genentech pays for all this partly through the proceeds of that equity issue last year—it still has about $30m in cash—and partly from revenues from licences, joint research projects and the sale of some products to industrial partners. So, even though it has no sales in the conventional sense, it manages to break even on its profit and loss account. In the first nine months of this year, revenues amounted to $15.1m compared with $9m for all last year, and nine-month earnings were $454,000 against $246,000 for 1980 as a whole.

Promising products

Molecular biology, or gene splicing, lies at the heart of what Genentech is doing, and by common consent it leads the world commercially in the field. During its five-year existence it has either developed or worked on ways of producing interferon, insulin, the foot and mouth vaccine—in which the U.S. Department of Agriculture is co-operating—a treatment for bone disease, albumen, which fortifies the blood of patients suffering from shock and trauma, and human and animal growth hormones.

Mr Swanson also told analysts this week: "It is our policy not to discuss specific research projects until we have achieved results, and not to name contractual partners until that time too. But I can assure you that we have a number of very promising products under development. A large portion of them are being developed independently by Genentech, and you will be hearing about some of them next year."

But Genentech is impatient for the day when it can finally manufacture and market its much-publicised products and start generating real earnings. This year it spent large sums expanding its manufacturing side and hiring management people. The first salesmen will be taken on next year as the company gears up to market its first products, insulin and the human growth hormone.

Genentech's lead over the competition is, of course, one of its biggest assets, and Mr Swanson made it clear that Genentech intends to make the most of it. "How do we stay ahead?" he asked. "We intend to get our products to the market as quickly as possible."

But Genentech has had to recognise that even though it leads the field, it lacks the muscle to develop and market its products alone. So it has set up partnerships with a group of internationally-known pharmaceuticals and chemicals companies to share in the development, testing and eventually marketing the products all round the world.

Genentech's contract partners include Kabi of Sweden in the human growth hormones area, Eli Lilly, of the U.S. in human insulin, Hoffmann-La Roche of Switzerland (leukocyte interferon), Daiichi Seiyaku and Toray Industries of Japan (immune interferon); Monsanto (bovine and porcine growth hormone) and International Minerals and Chemicals (foot and mouth vaccine). In addition Lubrizol, an Ohio chemical company, owns about 20 per cent of Genentech stock and has a man of the board. Fluor, the large Californian process engineering company, also, has a small stake and will contribute plant-building expertise.

Quite how big Genentech's markets will be, nobody can tell yet. But the company estimates that annual sales of its major products will total billions of dollars.

Until the products come to market, however, Genentech's policy is to try to break even on its finances. Wall Street analysts do not expect revenues and earnings to accelerate in any big way until 1983 at the earliest, and then through sales of insulin and growth hormones, rather than the much more challenging, if more glamorous, interferons.

Break-even policy

Although Genentech has applied for, or secured, about 400 patents and vows to defend them staunchly, Stanford University, which made the early breakthroughs in biotechnology, actually owns patents to some of the most basic processes used in recombinant DNA, which is central to genetic engineering. According to Mr Swanson, Genentech is now considering whether to take out a licence under that patent and pay the university royalties.

Perhaps the biggest question hanging over Genentech's future is the viability of interferon itself, which despite its promise is extremely hard to produce and could still disappoint expectations.

Mr Swanson is not dismayed by these concerns, however. He believes that Genentech is on the way to developing a variety of pioneering, high value, medical products broad enough to ensure that its survival does not depend on a single one. "We can be a big company with or without interferon," he said.

Further fall in dollar Eurobond prices

By Alan Friedman

FOR THE third consecutive day, Eurodollar bond prices declined with losses yesterday ranging to half a point. Traders reported a lack of investor interest. But despite this, and a feeling that dealers are now holding larger inventures than are desirable, the flow of new issues continued, dampening market spirits and causing a digestion problem.

The headaches will not be cured by the news of a planned $600m World Bank Yankee bond issue, scheduled for next week. Morgan Stanley confirmed that a three-tranche issue is being prepared, to consist of $200m portions ranging from five to 10 years.

Among new issues launched yesterday were:

● A $75m five-year offer for RCA. The issue is being managed by Merrill Lynch and the bonds will carry a coupon of 15½ per cent at a price of par.

● A $75m five-year issue for Transamerica Corporation. This is a zero coupon issue, the second in two weeks, following Nordic's $50m offer. Morgan Guaranty is lead manager and the price has been fixed at 53½ to yield 13.22 per cent. Attached to each bond are two warrants which can be subscribed for as zero coupon bonds maturing in December 1989.

● A $150m eight-year floating rate offer for ENI, the Italian state energy concern. The financing vehicle is Tradinvest Bank and Trust Company of Nassau. The notes carry a 5¼ per cent minimum coupon and the spread is ¼ per cent above the London interbank offered rate. Lead manager is Nomura Securities.

● Agip, a member of the ENI group, is also raising capital through two public issues in the Swiss franc foreign bond sector. The amount to be raised between the two, a floating rate note and a straight issue, has not been decided, but is expected to be around SwFr 65m. The floating rate note will be for 10 years. It will carry a 9 per cent minimum coupon for the first six months and 6½ per cent thereafter. Indicated coupon the straight issue is 8 to 8¼ per cent. Manager of both issues is Soditic.

In Frankfurt, a DM 100m seven-year offer was launched for the United Mexican States (Mexico) through Deutsche Bank. The coupon is 11 per cent, significantly in excess of recent coupons in the foreign bond sector. The price is 99, suggesting a yield of 11.21 per cent.

A DM 100m Japanese convertible offer was also launched in this market for Konishiroku, the photographic concern. The 8½-year issue carries a 6 per cent semi-annual coupon and a conversion premium of 5 per cent.

● The Y20bn 15-year samurai bond for the Inter-American Development Bank was priced at par by Yamaichi Securities yesterday with a coupon of 8.6 per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday December 15.

Closing prices on December 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16⅞ 88	100	102⅞	103⅜	−0⅛	−0¼	15.70
APS Fin. Co 17⅛ 86	60	104½	105	−0⅜	−0⅜	15.74
Br. Colum. Hyd. 16¾ 88	100	104⅜	104⅞	−0⅛	+0½	15.10
Br. Colum Mfa. 17 97	54	104⅜	105¼	0	+0¼	16.09
Caterpillar Fin. 16½ 86	100	103¾	104¼	0	−0⅜	15.28
CFMP 16¾ 98	100	103⅜	103⅞	0	−0⅞	16.08
CIBC 16¾ 91	100	105⅜	105⅞	−0¼	+0⅜	16.57
Citicorp Int. Fin. 15 86	150	101⅜	101⅞	0	0	14.43
Citicorp O/S 16¾ 86	150	106⅛	106⅝	+0⅛	+1⅞	14.75
Cities Service 17 83	150	106½	107	−0⅜	−0⅜	15.28
Con. Illinois 14¾ 84	100	†100⅛	100⅝	+0⅛	−0½	14.44
Cons.-Bathurst 17½ 88	60	103⅜	103⅞	−0⅛	−0¼	16.57
CPC Fin 15¾ 86	50	105⅞	106⅜	−0⅛	−0⅞	14.82
Dupont O/S 14½ 88	400	99⅜	99⅞	+0⅛	+0⅜	14.59
EEC 14¾ 93	65	97⅝	98⅛	0	−0⅞	15.11
EIB 16½ 88	100	103⅛	103⅝	0	−0⅜	15.61
EIB 16¾ 91	100	104½	105	−0⅜	−0¼	15.75
Ford Cr. O/S Fin. 16 85	150	99⅝	100⅛	+0⅜	+0½	15.94
GMAC O/S Fin. 14¾ 87	100	98¾	99¼	−0⅛	+0¼	14.96
GMAC O/S Fin 16½ 84	300	103⅛	103⅝	0	+0⅛	14.95
Gulf States O/S 17½ 88	60	106⅝	107⅛	−0⅜	−0⅜	15.74
IBM Wld Trade 14¾ 85	60	102⅝	103⅛	−0⅛	−0⅜	13.62
Nat. Bk Canada 16⅞ 88	40	100⅞	101⅜	−0¼	−0⅜	16.83
New Brunswick 17 89	60	106½	107	−0¼	−0¼	15.30
Newfoundland 17¼ 89	60	107⅝	108⅛	+0⅛	+0⅛	15.41
Nova Scotia 15 91	75	99¾	100¼	−0⅛	−0⅜	14.95
Ohio Edison Fin. 17½ 88	75	103⅛	103⅝	−0⅞	−1	16.57
OKG 15¾ 97	50	99⅛	99⅝	+0⅜	−0⅞	15.88
Pacific Gas Elec. 16 88	75	103⅞	104⅜	−0⅛	+0⅛	14.92
PSNH Int Fin. 17 86	30	102¾	103¼	0	−0⅜	15.96
Quebec Hydro. 17¼ 91	150	107	107½	+0⅛	+0⅛	15.73
Saskatchewan 16¾ 88	100	102½	103	−0⅛	−0⅛	15.56
Shell Canada 15¾ 91	100	104⅞	105⅜	+0⅛	+0⅛	14.69
South California 14¾ 88	50	101¼	101¾	0	−0⅞	14.32
Swed. Ex. Cred. 16½ 93	75	102¾	103¼	0	+0⅞	15.92
Tenneco Int. 17 89	100	105⅞	106⅜	−0⅛	−0¼	15.55
Transcanada 17¾ 88	75	106⅝	107⅛	0	−0¼	15.98
Transcanada 16 89	100	100⅜	100⅞	−0⅜	−0⅜	15.86
Walt Disney 15¼ 86	100	103½	104	+0⅛	−0⅜	14.54
Wells Fargo Int. 15½ 84	50	103½	103⅞	0	+0⅜	13.60
Winnipeg 17 86	50	106⅛	106⅝	0	−0¼	15.02
World Bank 16 86	210	102¾	103¼	0	+0⅜	14.93
World Bank 16 88	80	102⅝	103⅛	0	+0¼	15.20
World Bank 16½ 86	130	104⅜	104⅞	+0⅛	−0⅛	15.67
World Bank 16½ 88	100	104¼	104¾	−0⅛	−0⅞	15.35

Average price changes... On day 0 on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99¾	100¼	+0½	+1⅛	9.86
Asian Dev. Bank 10¾ 89	100	101⅞	102⅜	+0⅛	+0⅞	10.31
Austria Rep. of 8¾ 92	150	90⅝	91⅛	+0⅛	+0⅞	9.52
Belgelectric 11 91	100	101½	102	0	+0⅜	10.69
CECA 10 91	120	102⅝	103⅛	+0¼	+2½	9.48
Council of Europe 10 91	100	99⅞	100⅜	0	0	9.94
Cncl of Europe 10¼ 91	100	100⅜	100⅞	−0⅛	+0¼	10.15
EIB 8½ 90	200	94¼	95	+0⅛	+1⅛	9.41
EIB 10½ 91	200	102⅞	103⅜	+0½	+1¼	9.93
ESCOM 9¾ 87	100	94⅞	95⅜	0	0	10.36
Finland, Rep. of 10 89	100	99	99¼	0	+0¼	10.10
Ind Bk. Finland 8½ 90	50	91⅜	92½	−0⅛	+0⅜	9.88
Int.-Am. Dv Bk. 10 91	100	100⅜	100⅞	0	+0½	9.90
Japan Air Lines 8⅛ 87	100	95⅝	96⅛	0	+1	9.08
Japan Dev. Bk. 7⅝ 87	100	93	93¼	+0⅛	+0⅛	9.14
Midland Int. Fin 8½ 90	180	94⅝	95⅛	+0⅛	+0⅜	9.35
Mt. Bk Dnmk. 10½ 91	100	100⅜	100⅞	0	+0⅜	10.43
Nat West. 11 91	125	104⅜	104⅞	−0⅛	+0¼	10.26
OKB 10¼ 91	150	100⅝	101⅛	+0⅛	0	9.98
Renault Accept. 10¾ 86	150	100⅜	100⅞	0	−0⅞	10.57
Swed Ex. Cred. 10¼ 91	100	99½	100	0	−0⅜	10.28
Venezuela, R. of 9¾ 90	150	94	94½	−0⅛	+0¼	10.76
World Bank 11 91	100	103⅞	104⅜	0	+0⅜	10.27

Average price changes... On day +0⅛ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	†94	94½	−0¼	+1⅞	7.36
BFCE 6½ 91	100	†94½	95	−0½	+0¼	7.30
Bayer Int. Fin. 5¼ 92	100	†90⅝	91⅛	−0⅜	+0⅜	6.43
Belgelectric Fin 7¾ 91	100	102⅝	102⅞	−0⅛	+0⅛	7.33
Bergen, City of 6¾ 91	40	†102	102½	+1⅞	+1⅜	6.42
CECA 6¾ 91	60	98½	98⅞	−0⅜	+1	6.95
Dome Petroleum 5¾ 91	100	92¼	92¾	+0⅛	+1⅛	6.97
Dome Petroleum 7¼ 90	100	103	103¼	0	+0⅛	6.76
Elec. de France 5¾ 90	100	88	88½	−0½	+1	7.08
Eurofima 5¾ 92	80	†93¼	94	−0⅜	+5⅜	6.59
Finland, Rep. of 5⅞ 90	80	88⅝	89	+0¼	+1	7.40
Fran Petroles 6½ 91	80	94	94¼	−0⅜	+1	7.39
Genstar 7 91	100	101⅜	102	−0⅛	−0½	6.72
Int Amer. Dv. Bk. 7 91	100	98⅜	98⅞	0	+0⅞	7.18
I/S Elsam 8½ 91	30	104⅛	104½	−0⅛	−0⅜	7.88
Japan Dev. Bank 5¾ 90	100	94½	94¾	0	+1⅛	6.57
Mt. Blanc Tunnel 5½ 90	60	87½	88	−0⅛	−0⅜	7.45
Neder. Gasunie 8 91	100	105⅛	105⅝	−0⅜	0	7.22
OKB 7 93	100	99¾	100	0	+0⅞	7.01
Oslo, City of 8 91	100	104⅜	104⅞	−0⅜	−0⅛	7.31
Swed Ex. Credit 7¼ 91	75	98	98¼	−0⅛	+0⅜	7.53
Trade Dev. Fin. 6¼ 90	60	†89	90	−0⅜	−1	7.81
Voest-Alpine 5¾ 90	80	87½	88	−0¼	+0⅜	7.71
World Bank 6 91	100	92¼	92½	+0¼	+1¼	7.15
World Bank 7 90	100	100⅜	101	+0⅛	+0⅜	6.85
World Bank 8 91	100	104⅜	104⅞	−0⅛	+0⅛	7.31

Average price changes. On day −0⅛ on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk 8⅜ 91	15	99½	100½	+0⅞	+1⅛	8.24
Australia 8½ 88	20	99½	99⅞	+0⅛	+0⅜	8.59
EIB 7⅜ 89	12	97⅝	98⅝	−0⅜	+0⅛	8.17
Finland 8 8 88	10	90	91	−0⅜	+1⅛	8.81
Finland, Rep. of 8⅜ 87	15	98⅝	99⅝	0	−0⅞	8.63
New Zealand 8⅛ 87	15	99⅞	100⅞	+0⅛	0	8.27

Average price changes .. On day +0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 C$	50	†96½	97½	0	+0⅛	14.58
CIBC 11½ 85 C$	60	†92¼	93¼	−0½	+0⅛	14.13
Federal Dev. 11½ 90 C$	60	†83½	84½	+1½	+2½	14.87
Federal Dev 17¾ 86 C$	40	†106	107	0	+1⅜	15.72
Fst Can. Inv. 10 84 C$	50	†89	90	0	0	15.38
GMAC (Can.) 18 87 C$	60	†103½	104½	−0⅛	−0⅛	16.82
Tordom Con 13½ 85 C$	30	†96⅛	97⅛	0	+0⅜	14.68
M Bk. Dnmk. 9 91 EUA	25	80¾	82	0	+0¼	12.35
SOFTE 8¾ 89 EUA	40	76½	78	0	+1⅛	13.25
U. Bk. Nwy. 9½ 90 EUA	18	87⅞	89⅜	+0⅜	+2⅛	11.73
Algemene Bk. 10¾ 86 Fl	60	97½	98	+0⅛	+0⅜	10.91
Amfas Group 12¾ 88 Fl	40	100⅝	100⅞	+0⅛	+1⅛	12.07
Amro Bank 12 86 Fl	75	102⅜	102¾	+0⅛	+0¼	11.26
Amro Bank 12 88 Fl	60	101	101½	0	+0⅜	11.64
Heineken NV 10 87 Fl	100	95	95½	+0⅛	+0⅛	11.16
Pierson 10¾ 86 Fl	60	95⅜	96⅛	+0⅛	+0⅝	11.50
Rabobank 12 86 Fl	50	101	101½	0	+0⅞	11.58
Air France 14½ 86 FFr	200	91⅞	92⅞	+0⅛	+0⅛	17.02
Bk. America 14½ 86 FFr	250	92¾	93¾	+0⅛	+0¼	16.89
Charbonnages 13⅞ 86 FFr	400	90⅞	91⅞	+0⅛	+0⅛	16.98
EIB 14¾ 86 FFr	300	88⅛	89⅛	+0¼	+0⅜	17.25
La Redoute 14¾ 85 FFr	125	90⅞	91⅞	+0⅛	+0½	17.64
OKB 14 86 FFr	400	91⅞	92⅜	+0⅛	+0⅛	16.78
Solvay et C. 14¾ 86 FFr	200	91⅜	92⅜	+0⅛	+0⅞	17.42
Swed. E. Cr. 14¾ 86 FFr	250	91½	92½	+0⅛	+0⅞	17.30
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	0	17.27
Acena 14 85 £	20	91¼	92¼	0	−0⅜	17.01
Beneficial 14¼ 90 £	20	84½	85½	−0⅛	−0⅛	17.69
BNP 13¾ 91 £	15	85¼	86¼	−0⅛	+0½	16.05
CECA 13½ 88 £	20	90⅛	91⅛	0	+0⅛	15.61
Citicorp O/S 13½ 90 £	50	90⅜	91⅜	−0⅛	−0⅛	15.46
Fin. Ex. Cred. 13¾ 86 £	15	92¾	93¾	0	+0½	15.95
Gen. Elec. Co. 12¾ 89 £	50	87¾	88¾	0	−0⅜	15.77
Hiram Walker 14⅛ 86 £	25	94½	95½	0	+0⅛	15.84
Privatbanken 14½ 88 £	12	93	94	−0⅛	+0⅛	16.14
J. Rothschild 14¼ 90 £	12	94⅛	95⅛	0	+0⅜	[illegible]
Royal Trustco 14 86 £	12	94½	95½	+0⅛	−0⅛	15.76
Swed Ex. Cr. 13¾ 86 £	20	92½	93½	0	+0⅛	16.04
Akzo 9¾ 87 LuxFr	500	86⅜	87¼	0	−0⅜	[illegible]
Euratom 9¾ 88 LuxFr	500	86⅛	87⅛	−0⅛	−0⅞	[illegible]
Eurofima 10½ 87 LuxFr	500	89	90	0	−0¼	[illegible]
EIB 9¾ 88 LuxFr	600	86	87	+0⅛	+1½	13.06
Volvo 9¾ 87 LuxFr	500	85⅜	86⅜	0	+0⅜	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¾ 90	0¼	99¾	100¼	18/12	16¾	[illegible]
Bank of Montreal 5¼ 91	0¼	100⅛	100⅜	29/4	17.06	[illegible]
Bk. Nova Scotia 5¼ 93	0⅛	100⅝	100⅞	29/4	17.06	[illegible]
BBL Int. 5 88	0⅛	99⅞	100⅜	20/5	13½	[illegible]
BFCE 5¼ 88	0¼	100⅛	100⅜	26/4	16.94	16.86
Christiania Bk 5½ 91	†0¼	99	99½	5/2	15.56	[illegible]
Co-Ban Eurofin 5½ 91	0¼	99	99½	14/4	16.69	[illegible]
Den Norske Credit 6 90	†0⅛	99⅛	99⅝	5/2	15.56	[illegible]
Genfinance 5⅛ 87	0¼	101	101½	30/4	17.06	[illegible]
Genfinance 5¼ 92	0¼	99⅝	100⅛	30/12	18.31	[illegible]
Giro und Bank 5¼ 91	†0⅛	99½	100	23/12	17½	[illegible]
GZB 5¼ 92	†0⅛	99⅞	99⅜	5/12	17¼	17.40
Ind. Bank Japan 5¼ 88	0⅛	100½	101	9/4	16⅜	16.50
Ind Bank Japan 5¼ 88	0⅛	99⅛	99⅜	9/5	13.31	[illegible]
Lloyds Eurofin 5¼ 92	§0⅛	99	99½	4/12	17.44	17.57
Lloyds Eurofin 5¼ 93	§0⅛	100⅛	100⅜	29/4	17.13	17.04
LTCB Japan 5¼ 89	0¼	99⅝	100⅛	16/1	18.32	[illegible]
Midland Int. Fin. 9 91	0¼	100⅛	100⅜	30/4	17.06	16.95
National Fin. 5½ 88	0⅛	99⅛	99⅝	25/3	17.31	[illegible]
Nat. Bk. Canada 5¼ 88	0¼	100⅛	100⅜	24/3	17.31	17.25
Nat. West. Fin. 5¼ 91	§0⅛	99⅝	100⅛	15/1	18⅛	18.15
Nat. West. Fin. 5¼ 92	§0⅛	100⅜	100⅞	23/4	17	16.88
Nordic Int. Fin. 5½ 91	0¼	99¼	99¾	8/5	15⅝	15.70
Pemex 6 91	0¼	[illegible]	99	3/4	17	[illegible]
Pemex 5⅛ 88	0⅛	[illegible]	99	14/2	18.81	19.05
Sanwa Int. Fin. 5¼ 88	0¼	100	100½	24/3	17¼	17.21
Sec. Pacific 5¾ 91	0⅛	99⅛	99⅝	24/6	13⅛	13.27
Societe Generale 5¼ 91	0⅛	99⅞	100	27/1	18⅜	[illegible]
Sparbanken 6 87	0⅛	99⅞	99⅜	19/12	16.81	[illegible]
Standard Chart. 5¼ 91	0¼	[illegible]	[illegible]	13/5	13.31	13.47
Sumitomo Fin 5¼ 88	0⅛	100⅜	101⅛	8/2	19.56	19.57

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	[illegible]	99⅞	100⅞	+0⅛	2.21
Bow Valley Inv. 8 95	4/81	23.12	105	106½	+0⅞	18.48
Canon 6¾ 95	1/81	828	112⅝	114⅛	0	6.63
Daiwa Secs 5½ 96	12/81	519	†86⅛	86½	−0⅞	3.97
Fujitsu 4½ 96	10/81	877	99⅞	100⅞	−0⅛	3.37
Furukawa Elec. 5¾ 96	7/81	300	122⅝	123⅞	−3⅛	−2.71
Hanson O/S Fin. 9½ 96	6/81	2.74	†90	91	+1	−2.66
Hitachi Cred. Cpn. 5 96	7/81	1966	99	101	−0⅞	10.49
Inchcape 8 95	2/81	4.55	†64	65½	0	16.79
Kawasaki 5¾ 96	9/81	229	80⅝	82⅛	+0⅛	4.25
Marui 6 96	7/81	931	102	103½	+0⅛	−1.00
Matsushita El. 7½ 95	11/80	590	96½	98	−0½	0.19
Minolta Camera 5 96	10/81	909	75½	77	+0⅛	7.91
Murata 5¼ 96	7/81	2190	81	82½	+0½	2.47
NKK 6½ 96	7/81	188	94	95½	−1	−6.07
Nippon Chemi-C. 5 81	10/81	919	78	80	+0⅛	4.94
Ricoh 6⅛ 95	8/80	604	110⅞	112⅞	+0⅞	5.79
Sanyo Electric 5 96	10/81	652	80	81½	+0½	15.94
Sumitomo Met. 5¼ 96	10/81	305	81	82½	−1⅛	−7.39
Swiss Bk. Cpn. 6¾ 90	9/80	200	†81	83	−2	24.64
Taylor Woodrow 8½ 90	1/81	4.94	†80	81	−1	−1.97
Tenneco Int. 8¾ 95	2/81	68	†87½	85	0	29.52
Tricorp 8½ 95	12/80	31.25	†76½	78	0	39.45
Union Bk. Switz 5 89	2/80	79.79	†29½	30½	−2½	11.77
Sharp Cpn 6½ 89 DM	9/80	591.8	166½	167⅞	+5⅞	0.59
Uny Co. 6½ 85 DM	11/79	979.3	105⅜	106⅝	−0⅝	−0.07

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate. (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share, expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Libyan group close to taking controlling stake in Maraldi

BY RUPERT CORNWELL IN ROME

NEGOTIATIONS ARE understood to be at an advanced stage for Libyan interests to take a controlling stake in the financially troubled Maraldi group, which has extensive steel and sugar intersts in northern and eastern Italy.

The Libyan side is represented by the Libyan Arab Investment Company. According to bankers in Rome last night, the discusisons, which have been in progress for several months, are now close to a successful conclusion.

Were the deal to go through, it would be probably the second largest direct Libyan investment in Italy, after the 9.6 per cent holding in Fiat, Italy's largest private industrial group.

There are persistent reports here that the Libyan side is prepared to put up between L400bn and L500bn ($420m), to take over Maraldi and its outstanding debts, and launch a significant new investment programme. The group has been largely run by a Government-appointed commissioner since April 1979, after it encountered severe financial difficulties.

One of the last obstacles in the way of the agreement, the refusal of the potential buyers to take responsibility for L40bn ($32m) of fines levied on Maraldi for the non-payment of social security contributions, is now believed to be virtually settled.

Last night, however, unions representing the group's workforce demanded immediate talks with Sig Giovanni Marcora, the Industry Minister, to clear up uncertainties over the future ownership of Maraldi. Strikes at the group's factories are threatened if the demand is not met.

West German Dual hi-fi group files for bankruptcy

BY JONATHAN CARR IN BONN

DUAL, ONE of the best-known companies in the West German hi-fi business, has filed a petition for bankruptcy. It is the latest domestic entertainment concern to suffer a big setback to sales at the hands of Far East competitors.

The privately-owned company, whose full name is Dual Gebrueder Steidinger, said work was still continuing there yesterday. But no assurances could be given for the future.

Dual confirmed that it had been holding talks with foreign interests which might be interested in taking a stake in the company but declined to name them. However, one of these approached is known to be Thomson-Brandt of France.

Dual's products — including record turntables, amplifiers and receivers — have long been prominent both on the European and the U.S. market.

The company, which was founded at the start of this century, is sparing with information about itself, and there is no official word on the size of its turnover — let alone of its losses. However, people in the industry estimate Dual's annual sales at around DM 300m ($135m). The workforce at the company's factories in the Black Forest region of south Germany has fallen from around 3,000 to under 2,000 over the last few years.

It is not clear how many jobs could be saved, even if another company stepped in. However, the Government of the local state of Baden-Wuerttemberg is clearly anxious to support a solution which would keep one of the key employers of the region in being.

Dual's case in some way parallels that of Rollei, the Brunswick-based camera company which filed for liquidation in the summer after increasingly fierce competition from Japan. Part of the Rollei production is now being taken over by United Scientific Holdings, of London.

● Thomson-CSF, a member of the French Thomson electronics group, has signed an agreement with Robert Bosch, the West German group, for the joint design and development of professional video recorders for use in radio and television broadcasting, Reuter reports from Paris.

Sharp fall in output puts Valeo in the red

By Terry Dodsworth in Paris

HEAVY REORGANISATION and redundancy costs will force Valeo, the leading French motor components group, into losses of around FFr 250m ($45m) this year.

The company said yesterday that its slump into the red, after making net consolidated profits of FFr 44m last year, was the result of the sharp decline in European vehicle production during 1980 and 1981. In France, car production fell by 9 per cent last year, and is expected to be about 12 per cent down this year, or 4 per cent lower than the European average.

Valeo's own 1981 output has declined at a somewhat lower rate of 7 per cent mainly because of the buoyancy of the replacement parts market. Nevertheless, measures to improve its competitive position have involved exceptional charges of FFr 175m in staff cuts and part-time working, along with FFr 70m for the closing down of some activities.

Turnover figures for the year are also expected to reflect the sluggish state of the market, rising only marginally to FFr 6.8bn consolidated, against FFr 6.7bn in 1980.

After what it calls its "draconian" restructuring measures, however, Valeo is forecasting a return to profit in 1982 unless there is a further deterioration in car production.

There are now strong hopes in France that recent government measures to encourage consumption should help the car market, at least during the first half of next year.

In addition, Valeo says that it is now beginning to benefit from the improved performance of SEV, its electrical components subsidiary. SEV, the dominant group in this section of the French market, has also been going through a period of reorganisation. It would be operating at around break-even point this year, the company says, except for some "exceptional" charges linked to this restructuring.

At parent company level, Valeo expects sales to be around FFr 2.2bn, a decrease of 2 per cent, while net losses will amount to around FFr 100m.

Anthony Robinson examines the complex background to a major austerity programme

Yugoslavia faces up to economic reality

YUGOSLAVIA'S FOREIGN borrowing plans have not been helped in recent months by the fact that many of the western bankers dealing with Yugoslavia also have responsibility for lending to the Comecon countries too. Deeply involved as they are with the complexities of Polish debt re-scheduling and the growing difficulties of Romania they have been casting increasingly worried glances at the economic and financial situation of all East European borrowers.

Thus, when the former President of the Yugoslav League of Communists Mr Lazar Moisou warned Yugoslavs last month that the country was facing an economic abyss if they did not make efforts to take "economic stabilisation" more seriously, bankers at least heeded the warning.

The practical consequences became apparent last month when a Yugosav negotiating team led by Mr Ksente Bogoev, the outgoing governor of the National Bank of Yugoslavia, came to London for preliminary talks on a proposed $400m eurocurrency loan to complete this year's borrowing programme. The Yugoslav side made clear that they were hoping to raise the money on terms similar to that achieved on a similar syndicated loan arranged through a consortium led by Lloyds Bank International last year, that is to say a final maturity of seven years at a rate of 1¼ per cent over London Interbank offered rate or 1⅛ per cent over the U.S. prime, at the option of the lenders.

Having won these terms last year Mr Bogoev is seen by some western bankers as having wanted to end his term of office with a repeat performance. The acceptance of less favourable terms will now fall to his successor, Mr Radovan Makic,

Nearly half the banks invited to meet the Yugoslav team did not even turn up for the London meeting however, and those which did made clear that Yugoslavia would have to lower its sights and be satisfied with a significantly lower amount at higher rates. This message has been taken on board.

According to Mr Ilija Marjanovic, Deputy Governor of the bank, "we shall be meeting again with the banks shortly to sit down and examine what it is realistic to achieve. We recognise that this will be less than last year's borrowing." Manufacturers Hanover is expected to lead the consortium.

The main aim of the borrowing is to boost reserves and so reduce vulnerability to the kind of squeeze on short term debt which has affected Romania and other Comecon borrowers recently.

Reserves currently stand at around $2.9bn, Mr Marjanovic said. Yugoslavia has already raised around $1.7bn this year in financial and commercial credits. This virtually covers the expected 1981 balance of payments deficit of $1.8bn. Financial credits already lined-up amount to around $1.7bn of the $2bn borrowing target for this year.

Mr Ksente Bogoev

But raising the remainder from commercial banks which already in most cases have substantial Yugoslav debt in their loan portfolio will require considerable persuasion on the part of the Yugoslav authorities that they have the economy under control and that balance of payments targets can be adhered to.

The Yugoslav authorities themselves recognise that the lack of progress in reducing inflation, still hovering at around 38/39 per cent annually, the rise in the net foreign debt to $16.3bn or close to $19bn when short term debt is included, riots and repression in Kosovo, the shift in trade towards Comecon and evidence of declining competitivity on western markets all raise legitimate questions about the economic and political management of the post-Tito period. They are after all the main concerns of the Yugoslav authorities themselves. The fact that the cost of servicing the Yugoslav debt has risen from $700m over the first nine months of 1980 to $1.2bn over the same period this year is itself a powerful argument for keeping future borrowing within tight limits.

But, while recognising the problems, the Yugoslav authorities also point to their track record over the last three years. These have seen a reduction in the payments deficit from $3.7bn in 1979 to $2.3bn last year. The authorities insist that this year's deficit will still be below the $1.8bn target, despite a disappointing first half. Future targets of a $500m deficit in 1982 and parity by 1983 will be strictly adhered to, they add.

Scepticism about the ability to reach this year's target has been fuelled by the first half trade returns which showed a deficit of $3.55bn, which, if unchecked, would have given an annual trade deficit of over $7bn compared with $6.08bn last year. But the first half is traditionally a bad period and the deficit is likely to be much smaller over the second half.

The authorities are confident that the $1.8bn overall balance of payments deficit target will be achieved even though this has been bought at the cost of a slowdown in economic activity, higher unemployment and, most important, a 12 per cent drop in real incomes over the last two years.

Taken together these measures reflect a continuing economic squeeze which will subordinate all other economic policies to the achievement of the balance of payments target. It will exacerbate the competition for resources between Republics, especially now that the party central committee has decided to invest a further $3.2bn in Kosovo province over the next five years. But that is the price of "stabilisation" and the authorities seem determined to pay it. Whether bankers are convinced remains to be seen.

French discount store to form books co-operative

BY DAVID WHITE IN PARIS

FNAC, the French discount store group which in the past seven years has become the country's biggest bookseller, is planning to turn its book department into a co-operative. This unusual move is aimed at countering a new law standardising book prices in France.

Under the plan, the co-operative would keep its selling prices in line with the law but would distribute rebates to its members by drawing on its annual profits.

The new regulations, due to take effect next year, are designed to offset the dominant position established by stores such as FNAC, which does more than a fifth of its FFr 1.5bn ($260m) annual turnover in books and which holds about 7 per cent of the French market.

Bookstores will in future be allowed to sell to individual customers within a limit of 5 per cent above or below publishers' set retail prices.

M Andre Essel, FNAC's chairman, said he planned to ask shareholders' permission to transfer the book department to a co-operative — provisionally labelled UNAC. The book departments would in future be restricted to members of the co-operative.

A share of the co-operative's earnings would also be paid to FNAC, M Essel said. Controlled by a group of consumer co-operatives. FNAC has had its shares quoted on the Paris bourse since last year.

The group staged a profit recovery during the year, with consolidated net earnings climbing 39 per cent to FFr 20.5m.

Non-life business boosts Amev

BY CHARLES BATCHELOR IN AMSTERDAM

PROFITS of Amev, the Dutch insurance group, increased sharply during the first nine months of 1981. The company repeated its forecast that profits will rise by at least 15 per cent in the year as a whole, indicating a net profit of at least Fl 159m ($65m).

Pre-tax profit rose 23 per cent in the first three-quarters to Fl 165.5m on turnover 20 per cent higher at Fl 2.77bn ($1.14bn). At the net level profit was 26 per cent higher at Fl 114.7m.

The strongest improvement was in the non-life insurance sector, where profits rose 35 per cent to Fl 52.9m on turnover which was 16 per cent higher at Fl 880m. Profits of life business rose 23 per cent to Fl 99.6m on turnover, 17 per cent up at Fl 1.62bn.

The non-insurance division reported a 6 per cent profit fall to Fl 13m, due largely to the depressed state of the property market.

Amev has added Fl 5m to its provision for risks in its financing and project development activities. In the first nine months of last year it set aside Fl 2m to meet these risks. Turnover of non-insurance business rose 62 per cent to Fl 265m.

Net profit in the third quarter alone fell 3 per cent to Fl 35.6m compared with the same 1980 period. Excluding currency fluctuations, turnover rose 12 per cent.

● Hunter Douglas, the Dutch-based aluminium products manufacturer, reports that it has incurred a net loss in the first nine months of 1981 on turnover 15 per cent lower at $407m, though no figure is provided. The company, which traditionally reports its results in dollars, continued to make operating losses on its non-core business. Most of the turnover fall (91 per cent) was due to a decline in other currencies against the dollar while 9 per cent was due to the lower trading volume of secondary metal trading operations in Europe.

The operating results of the group's core business in the home improvement, building and architectural products fields improved. Operations in Australasia continued to perform well. Its European business responded favourably to restructuring measures, although a recovery in North America was slowed by a renewed recession in that market.

VONTOBEL EUROBOND INDICES
14.5.76 = 100%

PRICE INDEX	24.11.81	1.12.81	AVERAGE YIELD	24.11.81	1.12.81
DM Bonds	90.92	91.07	DM Bonds	9.855	9.852
HFL Bonds & Notes	92.67	93.34	HFL Bonds & Notes	11.331	11.139
U.S. $ Strt. Bonds	87.01	87.22	U.S. $ Strt. Bonds	13.635	13.802
Can. Dollar Bonds	85.02	85.30	Can. Dollar Bonds	15.074	15.021

Companies and Markets

INTL. COMPANIES & FINANCE

Premier signs production deals with Iveco and Fiat

BY R. C. MURTHY IN BOMBAY

PREMIER AUTOMOBILES, one of India's few vehicle makers, has signed technical co-operation agreements with Iveco and Fiat, Iveco's Italian parent, to produce cars and trucks near Bombay.

Premier will make three, and eight-and-a-half tonne trucks with the help of Iveco, a leading European commercial vehicle maker. Government approval is needed for the deal and for the use of foreign currency to help finance the R1.75bn ($195m) production facilities.

The agreement with Iveco replaces one under which Premier made trucks to 20-year-old U.S. designs. These had become increasingly uncompetitive against trucks from Tata, originally made with Daimler-Benz help, and from Ashok Leyland, the BL venture.

Under the agreement with Fiat, Premier will produce Fiat 124D cars as replacements for the Premier Padmini which was based on the Fiat 1100 model.

Premier will spend R285m modernising its car plant. The deal envisages Seat of Spain transferring tools and dies from the 124D model to India. Fiat will design an improved engine.

The Indian company lifted sales for the year ended June by 45 per cent to R1.04bn and net profits by 130 per cent to R80.4m. It paid a 15 per cent dividend, its first for several years.

The surge in profits came despite labour problems which disrupted Premier's production from April to September, 1980.

Mr. Lalchand Hirachand, Premier's chairman, is expecting another "promising" year. From July to October the company produced 7,833 cars and trucks compared with 16,555 for the year to June.

India's total commercial vehicle production increased 25 per cent in the year ended June to 73,129.

Premier's agreement with Fiat does not affect the Government's long-standing attempts to get foreign co-operation to build cars at the Maruti factory. Maruti was a project of Mr Sanjay Gandhi, the Prime Minister's son, who was killed in an air crash last year. The company, which has yet to produce a car, was nationalised last year.

A number of companies, including Renault, BL and Nissan are discussing proposals with the Government.

Merger dropped after Pao withdrawal

By Kevin Rafferty in Hong Kong

THE BOARDS of Hongkong and Kowloon Wharf and Godown Company and World International (Holdings) yesterday formally announced the withdrawal of proposals to merge the two companies into a property and shipping giant with assets of HK$27bn (U.S.$4.8bn).

The withdrawal followed Sir Yue-kong Pao's surprise announcement Tuesday night that he and his wife no longer supported the arrangement. As the two of them own 66 per cent of World and through World own 47 per cent of Wharf, it was obvious that the plan Sir Yue-kong devised could no longer go through.

The question now is what action the Colony's committee on takeovers and mergers will take. The committee met yesterday and was told of the action of the two boards, but it has not completed yet its discussions, an official said.

However, it is understood that Sir Yue-kong or his advisers have yet to meet the committee and to provide the "full explanation" required under Rule 12 of the new takeovers code.

Critics of the merger plan argue that he was trying to "railroad" an agreement which was not in the best interests of Wharf shareholders. The original offer and timetable was approved, however, by Mr Robert Fell, the Commissioner for Securities.

Expansion for Tata Chemicals

By our Bombay Correspondent

TATA CHEMICALS is seeking Indian Government permission to build two fertilizer plants with a combined value of R6bn ($660m). The first, producing 1,350 tonnes of ammonia a day, would be located in Gujarat.

The second, producing 2,250 tonnes of urea a day, would be located in Uttar Pradesh. This would be one of two private sector and four public sector fertilizer plants in the area envisaged by the Government.

The six plants will use gas feedstock from reserves off India's west coast. A pipeline is to be built to link the field to Uttar Pradesh.

Tata Chemicals reported pre-tax profits of R122.9m for the year to June 30, an advance of R30.3m from a year earlier. Sales rose 33 per cent to R744.9m from R557.4m.

Herald rejects Bell Group takeover bid

BY GRAEME JOHNSON IN SYDNEY

THE HERALD and Weekly Times has rejected Mr Robert Holmes à Court's A$130m ($U.S.150m) bid for 50 per cent of its equity. Sir Keith MacPherson, the chairman and chief executive, advised shareholders not to sell, and through the columns of the Melbourne Herald, the newspaper flagship of the group, said the group was not for sale—at any price. Mr Holmes à Court's offer, through Bell Group, was "totally unrealistic."

However it has been suggested that Mr Holmes à Court may be able to buy the crucial 14.9 per cent stake held by John Fairfax for cash, if it were for sale. Because of a gap in securities legislation Bell might not have to extend the same offer to other holders.

John Fairfax, the Sydney media group, came to the rescue of the Herald during Mr Rupert Murdoch's News Corporation's abortive bid for the company almost two years ago. Fairfax bought most of Mr Murdoch's holding when he opted to sell but, beset by low profits and heavy capital costs, it has been hard hit by the interest bill on loans raised for the A$50m spent to bail the Herald out.

The market value of the Herald shares has since fallen to A$36.9m and the investment represents almost half of shareholders' funds.

If Fairfax sold, it would still incur a book loss, but Mr Holmes à Court's bid of A$2.77 a share must look attractive, and it has been suggested that a meeting with Mr Holmes à Court to discuss his bid might take place this weekend.

● A$150m (U.S.$175m) hotel and retail complex is planned for the George Street, Sydney store site of Waltons-Bond, a major Australian retailer, following the purchase of a 14.9 per cent stake in the company yesterday by a Hong Kong property developer.

Carrian Investments, the publicly quoted arm of the rapidly expanding Carrian group, paid A$9.6m for the stake. Subject to Foreign Investment Review Board approval it will lift the stake to just under 20 per cent.

Hutchison may buy rest of Harbour

By Our Financial Staff

HUTCHISON WHAMPOA said it might make an offer for the 21.63 per cent of the equity of Harbour Engineering it does not own.

It had been discussing changing the ownership of Harbour with Franki Investments a subsidiary of Hongkong Engineering and Construction but the talks have ended without agreement.

The trading house first announced in June that it wanted to rationalise its ownership of four subsidiaries, including Harbour Engineering, which had minority shareholders.

BASE LENDING RATES

A.B.N. Bank	15 %	Grindlays Bank	‡15 %
Allied Irish Bank	15 %	■ Guinness Mahon	15 %
American Express Bk.	15 %	■ Hambros Bank	15 %
Amro Bank	15 %	Heritable & Gen. Trust	15 %
Henry Ansbacher	15 %	■ Hill Samuel	§15 %
Arbuthnot Latham	15 %	C. Hoare & Co.	†15 %
Associates Cap. Corp.	15 %	Hongkong & Shanghai	15 %
Banco de Bilbao	15 %	Knowsley & Co. Ltd.	15½%
BCCI	15 %	Lloyds Bank	15 %
Bank of Cyprus	15 %	Mallinhall Limited	15 %
Bank Street Sec. Ltd.	16 %	Edward Manson & Co.	16 %
Bank of N.S.W.	15 %	Midland Bank	15 %
Banque Belge Ltd.	15½%	■ Samuel Montagu	15 %
Banque du Rhone et de la Tamise S.A.	15½%	■ Morgan Grenfell	15 %
Barclays Bank	15 %	National Westminster	15 %
Beneficial Trust Ltd.	16 %	Norwich General Trust	15 %
Bremar Holdings Ltd.	16 %	P. S. Refson & Co.	15 %
Bristol & West Invest.	16 %	Roxburghe Guarantee	15½%
Brit. Bank of Mid. East	15 %	E. S. Schwab	15 %
■ Brown Shipley	15 %	Slavenburg's Bank	15 %
Canada Perm't Trust	15½%	Standard Chartered	‖15 %
Cavendish G'ty T'st Ltd.	15½%	Trade Dev. Bank	15 %
Cayzer Ltd.	15 %	Trustee Savings Bank	15 %
Cedar Holdings	15 %	TCB Ltd.	15 %
■ Charterhouse Japhet	15 %	United Bank of Kuwait	15 %
Choulartons	15½%	Whiteaway Laidlaw	15½%
Citibank Savings	¶15 %	Williams & Glyn's	15 %
Clydesdale Bank	15 %	Wintrust Secs. Ltd.	15 %
C. E. Coates	15½%	Yorkshire Bank	15 %
Consolidated Credits	15 %		
Co-operative Bank	*15 %		
Corinthian Secs.	15 %		
The Cyprus Popular Bk.	15 %		
Duncan Lawrie	15 %		
Eagil Trust	15 %		
E. T. Trust Limited	15½%		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 13%. 1-month 13.25%. Short term £8,000/12 months 15.60%.
† 7-day deposits on sums of £10,000 and under 13%, up to £50,000 13½% and over £50,000 14%.
‡ Call deposits £1,000 and over 13%.
§ Demand deposits 13%.
‖ 21-day deposits over £1,000 14%.
¶ Mortgage base rate.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume (1976=100), retail sales value (1976=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1980							
4th qtr.	100.7	89.7	79	109.0	205.2	2,020	98
1981							
1st qtr.	99.6	88.8	97	112.7	174.4	2,304	106
2nd qtr.	98.9	88.5	91	111.3	180.6	2,507	89
3rd qtr.	99.6	89.9		110.4	185.2	2,627	96
March	99.9	88.7	109	111.4	175.3	2,381	97
April	98.8	88.3	90	111.4	181.6	2,452	94
May	98.2	87.6	86	110.6	177.1	2,515	92
June	99.5	89.6	97	111.7	182.7	2,552	83
July	99.8	89.6	99	109.7	185.4	2,582	92
Aug	99.4	89.8	125	111.0	185.6	2,626	98
Sept	99.7	90.2		110.6	184.7	2,673	97
Oct				111.5		2,729	99
Nov						2,764	104

OUTPUT—By market sector; consumer goods; investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); *housing starts* (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1980							
4th qtr.	94.1	91.0	117.0	86.1	70.6	76.9	10.1
1981							
1st qtr.	94.1	87.4	117.5	83.5	76.4	76.9	10.9
2nd qtr.	93.3	87.5	118.1	84.0	79.3	75.8	14.2
3rd qtr.	94.5	88.4	119.1	85.6	77.4	76.1	14.4
Feb	95.0	87.0	118.0	83.0	78.0	78.0	11.3
March	94.0	87.0	119.0	84.0	78.0	77.0	11.2
April	94.0	88.0	117.0	84.0	76.0	76.0	12.5
May	92.0	87.0	117.0	83.0	78.0	75.0	13.8
June	94.0	88.0	120.0	85.0	84.0	77.0	16.3
July	95.0	88.0	119.0	86.0	76.0	75.0	14.5
Aug	95.0	88.0	118.0	85.0	78.0	78.0	12.7
Sept	94.0	89.0	120.0	86.0	78.0	75.0	16.0

EXTERNAL TRADE—*Indices of export and import volume* (1975=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1980							
4th qtr.	126.6	111.8	+1,265	+2,110	+222	105.2	27.90
1981							
1st qtr.	—	107.0					28.34
2nd qtr.							26.73
3rd qtr.							24.26
Feb	121.7	114.3	+314	+750	+231	105.2	28.43
March		105.5					28.21
April		106.2					28.07
May							26.49
June							25.63
July							24.57
Aug							24.51
Sept	130.2	135.3	+ 13	+147	+290	100.0	23.70
Oct	125.5	126.3	+116	+316	+ 89	98.9	23.32
Nov							23.46

Trade figures for March-August not available because of Civil Service dispute.

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1980							
4th qtr.	8.8	20.2	11.2	+3,352	1,253	1,793	14
1981							
1st qtr.	6.8	8.8	12.4	+1,302	1,081	1,884	12
2nd qtr.	23.1	17.3	6.5	+4,250	1,103	1,936	12
3rd qtr.	8.1	18.1	29.7	+5,930	868	2,023	
March	1.2	6.8	14.3	+ 814	269	626	12
April	25.5	14.2	3.9	+2,057	296	655	12
May	22.1	20.1	7.0	+1,027	436	607	12
June	21.9	17.8	8.6	+1,166	371	674	12
July	14.2	17.2	19.8	+2,217	290	658	12
Aug	0.8	14.5	35.4	+1,245	244	659	—
Sept	9.7	22.8	34.3	+2,466	334	706	—
Oct	4.5	20.2	24.0	+1,580	154		

INFLATION—Indices of earnings (Jan 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1980							
4th qtr.	193.3	203.3	206.1	273.9	260.7	269.25	100.2
1981							
1st qtr.	195.3	213.8	212.3	280.4	268.7	261.56	101.8
2nd qtr.	202.1	225.3	219.4	294.0	277.0	245.07	97.8
3rd qtr.		235.9	224.1	299.1	278.8	260.83	90.6
April	199.3	221.3	218.0	292.2	274.2	258.61	99.2
May	201.6	226.1	219.2	294.1	276.7	255.14	98.8
June	205.7	229.9	221.1	295.8	280.0	245.07	95.4
July	207.6	233.0	222.2	297.1	279.6	275.81	92.5
Aug	210.4	236.8	224.1	299.3	277.3	257.64	91.2
Sept	211.7	237.8	225.9	301.0	279.6	260.83	88.0
Oct		237.8	227.9	303.7	282.7	259.12	88.3
Nov						245.79	90.13

* Not seasonally adjusted.

APPOINTMENTS

Management changes at Gulf Oil

Mr **William H. Hamilton**, managing director of Gulf Oil (Great Britain) has been appointed vice-president—marketing, GULF OIL COMPANY—INTERNATIONAL. He succeeds Mr **Gunnar Forsman** who has become president, Gulf Oil Company—International. Mr Hamilton has been succeeded as managing director, Gulf Oil (Great Britain) by Mr **David Setchell**, vice-president, Gulf Oil Chemicals—Europe.

★

Mr **Cyril English**, deputy chief general manager of the NATIONWIDE BUILDING SOCIETY, has been appointed chief general manager in succession *to Mr Leonard Williams* who retires from executive duties on December 6. Mr Williams remains a director.

★

Mr **D. S. Craigen** will retire as a director of TRADE INDEMNITY on December 31.

★

Mr **J. M. K. Macdonald** has joined RICHARDSONS WESTGARTH AND CO as company secretary.

★

MERRYDOWN is making the following board changes on January 1: Mr **Jack Ward**, a co-founder, resigns at the end of the year to become president. Mr **Ian Howie**, the other co-founder, relinquishes his position as joint managing director but remains executive chairman. Mr **Richard Purdey** becomes sole managing director, while Mr *Michael O'Driscoll*, chief accountant, is appointed finance director. Mr **Robert A. Howie**, export manager, joins the board as export sales director.

★

Mr **Michael Delahooke** has been appointed managing director of WATNEYS SOUTHERN. He was commercial director of Watney Mann and Truman Brewers.

★

Mr **Dennis Garrett** will become group chairman of MATTHEW HALL AND CO following the retirement on December 31 of *Sir Rupert Speir, who will remain a director in a non-executive capacity.* Mr Garrett is deputy chairman and has been a director for nearly nine years.

★

Mr **Kenneth Regan** has been appointed managing director of COLE PLASTICS. Cole Group's thermoplastics compounding subsidiary.

★

Mr **E. B. Bisset** has been appointed financial director of KEEN COMPUTERS.

★

Mr **Andrew Scobbie** has been appointed as general manager and actuary of FS ASSURANCE. Mr Scobbie succeeds the late Mr A. J. Pfaff.

★

DUNDONIAN has reappointed **Lord Strathcona** as a director. *He was a director until 1979 when he joined the Government as Minister of State for Defence.*

★

Mr **T. J. Kemp** has been appointed the underwriter of *Lloyd's Marine Syndicate 725 in* succession to Mr **T. W. Higgins**, who becomes chairman of LANGTON UNDERWRITING AGENTS. Mr **M. J. Langton** has *been appointed chairman of* LESLIE LANGTON HOLDINGS.

★

The UNITED KINGDOM SOUTH AFRICA TRADE ASSOCIATION has appointed Sir **David Scott** as a vice-president. He is chairman (designate) of Ellerman Lines, and a former British Ambassador to the Republic of South Africa.

★

LEX TILLOTSON, part of the Lex Service Group, has appointed Mr **David Morrow** as managing director.

★

Mr Richard Graham St John Rowlandson has been appointed a director of FINANCE AND INDUSTRIAL TRUST.

★

Mr **Denis Haviland**, a former industrialist and senior civil servant in the Ministries of Supply and Aviation, has been appointed chairman of the TECHNOLOGY AND INNOVATIONS EXCHANGE, which has been established as an international technology transfer service, bringing together inventors, entrepreneurs and, if necessary, finance.

★

Mr **John Trapp**, managing director of Associated Liver Launderettes, Liverpool, has been elected chairman of the NATIONAL ASSOCIATION OF THE LAUNDERETTE INDUSTRY.

★

Mr **Joe Warton** is retiring from the GRANADA GROUP board and from his appointments in the Group on December 31. *Mr Wharton has served on the* boards of most of Granada's subsidiary companies, and joined the group board in 1957, being a deputy chairman from 1968-79. He is remaining chairman of *Barranquilla* Investments in which Granada has a 68 per cent interest.

★

Mr **M. S. Sandler** has been appointed an associate director *of STREETS FINANCIAL.*

★

Mr **Marshall Best** has been appointed a director of CARLESS CHEMICALS, Middlesbrough. He was previously marketing product manager of Hypax products (a range of oxidised waxes made by Carless Chemicals), and will continue to manage that business in addition to his responsibilities as a director.

★

The INSTITUTE OF MARKETING has elected a new chairman. He is Mr **Martin van Mesdag**, a management consultant specialising in the marketing of food, drink and fast-moving consumer products. He will serve for one year.

★

Mr **Graham Burgess** has been *appointed director and chief* executive of the BRITISH EXHIBITION CONTRACTORS ASSOCIATION.

★

Mr **Stephen R. Weich**, until *recently managing director of* Selmicro, has joined LOGIC ENGINEERING.

OVERSEAS

The board of CONTINENTAL ILLINOIS CORPORATION and its principal subsidiary, Continental Illinois National Bank and Trust Company of Chicago, has elected Mr **John E. Porta** and Mr **Casen L. Reed** executive vice president. Mr **William L. Weiss**, president of Illinois Bell Telephone Company, has been elected a director of Continental Illinois *Corporation and its principal* subsidiary, Continental Illinois National Bank and Trust Company of Chicago.

★

Mr **Thomas E. Appleton** has been *appointed vice-president*, customer support, for DE HAVILLAND AIRCRAFT.

★

BANK LEU, of Zurich, is on January 1 to upgrade its management committee to the status of a general management with Mr **Hans Knoepfli**, Dr **John R. Lademann**, Mr **Hans Surber** and Dr **Hanspeter Enderlin** as general managers.

★

Mr **John D. Freeman** has joined ARLABANK in Lima. Mr Freeman, who was vice-president, First National Bank of Boston, will work in the investment banking division with Mr **David Hudson** who has been appointed as head of this division.

★

BUNZL PULP AND PAPER has appointed Mr **John Farago**, group development director to be responsible for expansion in Australia and South-East Asia. He will be located in Melbourne.

★

Mr Juergen Leuthi and Dr Fritz Laager are to become full members of the management committee of BANK JULIUS BAER AND CO., Zurich, on January 1. Mr **Reinhard Boeckli**, Mr **Alcsandro Cedraschi**, Mr **Leo Loretan** and Mr **Friedrich Nusshaumer** will be promoted to managers.

★

CITY NATIONAL BANK has made the following promotions: Mr **Fred P. Katzman** has become vice-president and manager of systems and programming. Mr **Beverly Johnson** has been made assistant vice-president and payroll manager. Mrs **Irene Markey** has been promoted to assistant vice-president and benefits administrator.

★

Mr **Robert E. Howells** has been appointed president of NATIONAL ADVANCED SYSTEMS (EUROPE) CORPORATION, a wholly owned subsidiary of National Semiconductor Corporation. Mr Howells was director of finance and administration of National Semiconductor Europe in Munich.

★

Mr **R. Ph. Hoegen**, managing director of MAKRO SELF SERVICE WHOLESALERS, is moving to the group headquarters, SHV Holdings in Holland, where he will be chairman of SHV's Oil and Gas Division as well as a director of SHV Holdings. He will take up his new appointments from July 1982. His successor in the *UK will be Mr Jan Piet Fokker* who is at present managing director of Makro Spain.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

Adig Investment
Postfach 708, 8000 Munich 1, Telex 524269
Adiropa .... DM19.45 | 20.07 | +0.01 | —
Adiverba .... DM49.29 | 51.75 | -0.25 | —
Fondak .... DM27.76 | 29.15 | -0.08 | —
Fondis .... DM25.30 | 26.47 | -0.04 | —

Albany Fund Management Limited
P.O. Box 73, St. Helier, Jersey. 0534 73933
Albany $ Fd. (CI) ...... US$177.52 | 179.75 | .... | 2.19
Next dealing Dec. 11.

Alexander Fund
37, Rue Notre-Dame, Luxembourg
Alexander Fund ...... | US$13.52 | +0.40 | —
Net asset value Nov. 23.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-75741
AHR Dollar Inc. Fd. ... US$10.42 | 10.44 | .... | 12.57
AHR Gilt Edg.Fd. ... £10.95 | 11.02 | +0.03 | 13.64

Alliance International Dollar Reserves
c/o Bank of Bermuda, Hamilton, Bermuda.
Adv: ACMI, 62/63 Queen St., EC4. 01-248 8881
Distribution Dec. 1. (0.000319) (12.3% p.a.)

Arbuthnot Securities (C.I.) Ltd. (a)(c)(h)
P.O. Box 284, St. Helier, Jersey. 0534 76077
Dollar Income Tst. ... US$0.962 | 1.027 | -0.003 | 15.67
East Intl. & Energy ... 134.5 | 146.8 | -0.3 | 0.65
Gov't Secs. Tst.(CI) ... 68.5 | 71.2 | +0.2 | 15.45
Daily Dealings—yields based on forecasts.
Sterling Fd. ...... 153.0 | 133.2 | -0.1 | 0.38
Dealing on Wed.

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland
Bearer Sfd. (Nov 20) | 9,975 | 10,580 | ....

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.
Wldinvest Income ... US$115.00 | 115.98 | .... | 8.22
Prices at Nov. 18. Next sub. day Nov. 25.

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806
Barb. Int. Fund ...... 112.4 | 119.8 | -1.2 | 2.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741
Unigilt Trust ...... 38.7 | 40.1 | .... | 14.80
Unidollar Trust ...... US$13.67 | 14.38 | +0.46 | 2.00
Unibond Trust ...... US$89.82 | 90.57 | .... | 11.00
1, Thomas St., Douglas, Isle of Man. 0624 4856
Unicorn Aust. Ext. ... 65.9 | 70.9 | .... | 1.40
Do. Aust. Min. ...... 62.1 | 66.8 | .... | 1.50
Do. Grtr. Pacific ...... 130.3 | 140.2 | -1.1 | —
Do. Intl. Income ...... 29.0 | 31.2 | +0.6 | 10.20
Do. Isle of Man Tst. ... 39.2 | 42.2 | .... | 11.40
Do. Manx Mutual ...... 53.1 | 57.1 | +0.7 | 1.60

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911
ARMAC* Nov 2 ...... $52.66 | 55.99 | .... | —
COUNT** Nov 2 ...... £3.065 | 3.251 | .... | 1.61
CANRHO** Nov 2 ...... £1.395 | 1.477 | .... | —
MAPSA* ...... $9.90 | 10.50 | .... | —
Original issue *$10 and **£1. Next val. Dec. 7.

Bridge Management Ltd.
GPO Box 590, Hong Kong
N'bashi Nov. 30 ...... | Y26,577 | .... | —
Nippon Fd. Nov 25 ... US$23.85 | 24.92 | .... | 1.08

Britannia Intl. Investment Mngmt. Ltd.
Box 271, Queensway House, Queen Street, St. Helier, Jersey C.I.

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations ... US$46.56 | — | -0.28 | 1.76

Eurotax Investments Ltd.
1, Athol St., Douglas, Isle of Man.
UK Agents FIS, St. Albans. 0727 33166
Eurotax Inv. Fund ...... 95.00 | 100.00 | .... | —

F & C Mngmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA ... | US$11.01 | .... | 1.36
F & C. Oriental Fd. ... | US$21.74 | .... | 0.46
Prices November 25. Weekly dealings.

Fidelity International Ltd.
P.O. Box 670, Hamilton, Bermuda.
8, Queensway Hse., Queen St., St. Helier, Jersey, C.I. 0534 71696
American Assets ...... | US$38.44 | -0.13 | 1.30
Am. Vals. Cum.Pf. $5* ... | $102.75 | .... | 3.00
American Vals. Com.* ... | $15.29 | .... | —
Dollar Savings Trust ... | US$86.95 | +0.03 | 13.79
Far East ...... | US$32.20 | -0.17 | 0.62
International ...... | US$41.19 | -0.12 | 0.56
Pacific ...... | US$103.43 | -0.30 | 0.25
World ...... | US$21.09 | -0.13 | 1.77
Gilt Fund ...... 21.2 | 21.4 | +0.1 | 14.60
*Prices at October 30.

Fleming Japan Fund S.A.
37, rue Notre-Dame, Luxembourg
Fleming Nov 30 ...... | US$63.77 | .... | —

Frankfurt Trust Investment—GmbH
Wiesenau 1, D-6000 Frankfurt
FT-Interzins ...... DM37.26 | 40.71 | +0.05 | —
Frankft. Effekt. Fd. ... DM53.36 | 56.17 | -0.03 | —

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.
NAV Oct. 30 ...... | US$152.44 | .... | —

G. T. Management (U.K.) Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100
London Agents for:
A.U.T.H. ...... US$7.592 | — | .... | —
Anchor Gilt Edge ...... £8.32 | 8.37 | -0.02 | 15.17
Anchor Int. Fd. ...... US$3.13 | 3.35 | .... | 1.43
Berry Pac Fd. ...... | US$67.89 | .... | 0.00
Berry Pac Strlg. ...... £4.32 | 4.5136 | .... | 0.92
G.T. Asia Fd. ...... | HK$21.35 | .... | 1.17
G.T. Asia Sterling ...... £29.18 | — | .... | 1.71
G.T. Australia Fd. ...... | A$29.84 | +0.77 | 1.17
G.T. Bond Fund ...... | US$11.35 | -0.07 | 10.13
G.T. Dollar Fd. ...... | US$12.53 | .... | 1.20
G.T. Dlr. (Strlg.) Fd. ... £14.95 | 15.55 | .... | 1.20
G.T Invest. Fd. ...... | US$17.25 | -0.06 | 0.58
G.T. Japan Small Cos. ... | US$17.74 | .... | —
G.T. Technology Fd. ... | US$27.94 | .... | —
G.T. Pacific Fd. ...... | US$16.76 | -0.13 | 0.21
G.T. Asean Growth Fd. ... | US$10.80 | .... | 0.46

Gartmore Invest. Ltd. Ldn. Agts.
2, St. Mary Axe, London, EC3. 01-283 3531
Gartmore Fund Managers (C.I.) Ltd. (a) (h)
41, Broad St., St. Helier, Jersey. 0534-73741
Gilt Fund (Jersey) ...... 77.0 | 82.0 | .... | 14.30
Gartmore Fund Managers (Far East) Ltd. (a)(h)
1503 Hutchison Hse., 10 Harcourt Rd., H. Kong
Australian Ts. ...... US$6.76 | 7.25 | .... | —
HK & Pac. U. Tst. ... HK$8.049 | 8.592 | .... | 2.60
Japan Fd. ...... US$4.74 | 25.53 | .... | 0.60
N. American Tst. ...... US$2.65 | 26.17 | +0.08 | 1.80
Intl. Bond Fund ...... US$10.95 | 11.53 | .... | 9.60
Gartmore Fund Managers (IOM) (a)
P.O. Box 32 Douglas, Isle of Man Tel. 0624 23911
Gartmore Intl. Inc. ...... 20.1 | 21.4 | .... | 15.60
Gartmore Intl. Grth. ... 157.8 | 167.9 | .... | 0.60

CURRENCIES, MONEY and GOLD

Companies and Markets

Dollar eases

The dollar tended to ease in featureless trading yesterday despite a further rise in Euro-dollar rates. U.S. domestic rates were mostly steady however with the market still looking for a further reduction in U.S. rates.

Sterling was unaffected by Sir Geoffrey Howe's economic statement and retained a firmish undertone against most currencies.

The Belgian franc fell to the bottom of the European Monetary System yesterday, replacing the Italian lira, as political difficulties in forming a new Government continued. The Danish krone was again the most improved currency, followed by the French franc.

DOLLAR — trade weighted index (Bank of England) fell to 105.5 from 105.7. The dollar fell to DM 2.2180 against the D-mark compared with DM 2.2210 on Tuesday and SwFr 1.7775 from SwFr 1.7825 in terms of the Swiss franc. Against the yen it fell to Y214.5 from Y216.25.

STERLING — trade weighted index (Bank of England) was unchanged at 91.8, having stood at 91.9 at noon and 91.8 in the morning. Against the dollar sterling opened at $1.9500 and rose briefly to $1.9540 before coming back to $1.9480 at noon. The dollar continued to improve and sterling touched a low point of $1.9430 before recovering later in the afternoon to touch a best level of $1.9570. It closed at $1.9525-1.9535, a rise of 55 points. The pound rose against the D-mark to DM 4.3325 from DM 4.3275 but eased slightly against the Swiss franc to SwFr 3.4700 from SwFr 3.4750 and FFr 10.9275 from FFr 10.93 against the French franc.

D-MARK—One of the weakest members of the European Monetary System following the latest currency realignment but recovering after trading close to its divergence limit for several weeks. It has also improved against the dollar, reflecting a lower trend in U.S. interest rates and despite doubts about Germany's economic prospects—The D-mark was slightly easier overall at yesterday's fixing in Brussels. The dollar rose to DM 2.2280 from DM 2.2154 and the Bundesbank sold a nominal $8.65m. The dollar was underpinned by higher Euro-dollar rates and speculation that the Bundesbank may reduce key lending rates at today's meeting of the central council. Elsewhere sterling rose to DM 4.3380 from DM 4.3270 and the Swiss franc was higher at DM 1.2474 from DM 1.2473. Within the EMS the Belgian franc slipped to DM 5.8880 from DM 5.9240 per BFr 100 and the French franc was easier at DM 39.5850 per FFr 100 from DM 39.6.

BELGIAN FRANC — Much weaker within the EMS just recently and now the weakest member. Economic problems and continued political uncertainty have again forced the Central Bank to support the franc in the foreign exchange market—The Belgian franc was sharply weaker at yesterday's fixing in Brussels. Figures released yesterday showed that the authorities had spent the equivalent of BFr 6bn in the last week supporting the Belgian franc, the largest weekly total since the EMS was realigned in October. The D-mark rose to BFr 16.99 from BFr 16.9075 and the French franc was higher at BFr 6.7272½ from BFr 6.6850. The strongest member of the system the Danish krone was unchanged however at BFr 5.2650. Outside the EMS the dollar rose to BFr 37.8975 from BFr 37.3750 and sterling was higher at BFr 73.7350 compared with BFr 73.0825.

THE POUND SPOT AND FORWARD

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9430-1.9570	1.9525-1.9535	0.48-0.38c pm	2.64	1.10-1.00 pm	2.15
Canada	2.2880-2.3030	2.2985-2.2995	0.45-0.55c dis	-2.61	0.70-0.90dis	-1.39
Nethlnd.	4.72½-4.77½	4.73½-4.74½	1⅞-1⅜c pm	4.11	4⅝-3⅞ pm	3.49
Belgium	73.40-73.95	73.55-73.65	13-23c dis	-2.93	48-58 dis	-2.88
Denmark	13.96-14.03	13.98-13.99	2¼-1¼ore pm	1.61	5⅛-3⅞ pm	1.27
Ireland	1.2190-1.2270	1.2210-1.2225	0.38-0.48p dis	-4.27	1.12-1.32dis	-4.01
W. Ger.	4.32-4.38	4.32¼-4.33¼	1⅝-1⅜pf pm	4.90	4⅞-4⅛ pm	4.27
Portugal	124.70-126.00	125.15-125.35	30-135c dis	-10.30	75-790dis	-12.17
Spain	185.70-186.70	186.00-186.20	25-55c dis	-2.58	100-140dis	-2.58
Italy	2322-2335	2324½-2325½	18-21lire dis	-10.07	49½-53½dis	-9.82
Norway	11.07-11.17	11.08½-11.09½	1¼-2¼ore dis	-2.03	½-1½ dis	-0.36
France	10.92-11.00	10.92¼-10.93¼	1-2c dis	-1.65	5½-6½ dis	-2.20
Sweden	10.83-10.89	10.84-10.85	2¼-2ore pm	2.76	6½-5½ pm	2.30
Japan	417-425	418½-419½	2.80-2.60y pm	7.73	8.00-7.80 pm	7.54
Austria	30.35-30.65	30.38-30.43	18-13gro pm	6.12	44-34 pm	5.13
Switz.	3.45½-3.50½	3.46½-3.47½	1¾-1¼c pm	5.19	4½-4 pm	4.96

Belgian rate is for convertible francs. Financial franc 82.20-82.30. Six-month forward dollar 1.37-1.27c pm. 12-month 1.66-1.46c pm.

THE DOLLAR SPOT AND FORWARD

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9430-1.9570	1.9525-1.9545	0.48-0.38c pm	2.64	1.10-1.00 pm	2.16
Ireland†	1.5870-1.5940	1.5910-1.5940	0.95-0.85c pm	6.78	2.80-2.30 pm	6.08
Canada	1.1772-1.1782	1.1775-1.1778	0.50-0.53c dis	-5.25	1.06-1.09dis	-3.65
Nethlnd.	2.4250-2.4425	2.4250-2.4280	0.25-0.15c pm	0.99	0.75-0.65 pm	1.15
Belgium	37.67-37.86	37.67-37.69	14-18c dis	-5.09	46-50 dis	-4.95
Denmark	7.1600-7.2010	7.1600-7.1700	0.85-1.10ore dis	-1.63	2.00-2.50dis	-1.25
W. Ger.	2.2130-2.2340	2.2175-2.2185	0.37-0.32pf pm	1.87	1.25-1.20 pm	2.22
Portugal	64.10-64.55	64.10-64.25	30-110c dis	-13.07	70-240 dis	-9.65
Spain	95.35-95.85	95.50-95.55	30-45c dis	-4.71	85-115 dis	-4.19
Italy	1187-1196½	1187-1188½	12-14lire dis	-13.10	32-38 dis	-11.25
Norway	5.6750-5.7170	5.6750-5.6800	5.40-5.90ore dis	-11.9	5.75-6.25dis	-4.20
France	5.5900-5.6370	5.5925-5.5975	2.03-2.18c dis	-4.51	6.20-6.50dis	-4.53
Sweden	5.4500-5.4740	5.4500-5.4550	0.20-0.35ore dis	-0.60	par-0 15dis	-0.05
Japan	214.20-216.50	214.45-214.55	1.00-0.85y pm	5.17	2.95-2.70 pm	5.17
Austria	15.61-15.66	15.62½-15.63½	5¼-3½gro pm	3.45	12½-8½ pm	2.76
Switz.	1.7740-1.7930	1.7770-1.7780	0.50-0.42c pm	3.10	1.25-1.17 pm	2.72

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Dec. 2	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.8	-32.3
U.S. dollar	105.5	-0.6
Canadian dollar	88.7	-15.9
Austrian schilling	117.2	+24.2
Belgian franc	105.1	+7.8
Danish kroner	88.2	-9.5
Deutsche mark	122.7	+44.0
Swiss franc	153.8	+104.6
Guilder	115.3	+20.2
French franc	81.3	-14.1
Lira	55.4	-57.8
Yen	146.8	+40.9

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.602217	0.567928
U.S. $	13	1.17657	1.10884
Canadian $	15.32	1.38612	1.30178
Austria Sch.	6¾	18.2984	17.1912
Belgian F.	13	43.9556	41.4084
Danish Kr.	11	8.37456	7.87369
D mark	7½	2.60513	2.44578
Guilder	9	2.84858	2.68095
French Fr.	9½	6.57632	6.18351
Lira	19	1398.70	1314.88
Yen	5½	252.214	237.913
Norwgn. Kr.	9	6.71707	6.30881
Spanish Pts.	8	111.694	104.908
Swedish Kr.	11	6.39239	6.01195
Swiss Fr.	6	2.09100	1.96548
Greek Dr'ch.	20½	—	61.8110

OTHER CURRENCIES

Dec. 2	£	$		£ Note Rates
Argentina Peso	13,215-13,235†	6793-6813†	Austria	30.30-30.60
Australia Dollar	1.6995-1.7015	0.8715-0.8720	Belgium	81.75-82.75
Brazil Cruzeiro	234.41-235.41	120.54-121.14	Denmark	13.95-14.07
Finland Markka	8.408-8.431	4.3160-4.3170	France	10.92-11.04
Greek Drachma	107.581-110.868	56.10-56.30	Germany	4.31¾-4.35¾
Hong Kong Dollar	10.92½-10.94½	5.60-5.60½	Italy	2325-2365
Iran Rial	152.50*	77.75*	Japan	421-498
Kuwait Dinar (KD)	0.543-0.549	0.2794-0.2797	Netherlands	4.72¾-4.76¾
Luxembourg Fr.	73.55-73.65	37.67-37.69	Norway	11.05-11.16
Malaysia Dollar	4.3750-4.3850	2.2425-2.2445	Portugal	124-133
New Zealand Dlr.	2.3220-2.3260	1.1905-1.1915	Spain	184½-196
Saudi Arab. Riyal	6.64-6.70	3.4190-3.4210	Sweden	10.81-10.72
Singapore Dollar	4.0015-4.0115	2.0515-2.0535	Switzerland	3.46¼-3.50¼
Sth. African Rand	1.8885-1.8905	0.9670-0.9680	United States	1.93½-1.95½
U.A.E. Dirham	7.13-7.19	3.6700-3.6730	Yugoslavia	86-92

†Rate given for Argentina is the commercial rate. The financial rate for sterling is 21,422-21,442 and for the dollar 11,000-11,050. *Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.6470	+2.18	+1.22	±1.5388
Danish Krone	7.91117	7.90657	-0.06	-1.02	±1.6412
German D-Mark	2.40989	2.44963	+1.65	+0.69	±1.1077
French Franc	6.17443	6.18721	+0.21	-0.75	±1.3733
Dutch Guilder	2.66382	2.68076	+0.64	-0.32	±1.5063
Irish Punt	0.684452	0.691216	+0.99	+0.03	±1.6688
Italian Lira	1300.67	1312.65	+0.92	+0.71	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 2 — 0.584658

EXCHANGE CROSS RATES

Dec. 2	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Fran
Pound Sterling	1.	1.953	4.333	419.0	10.928	3.740	4.740	2325.	2.299	73.60
U.S. Dollar	0.512	1.	2.218	214.5	5.595	1.777	2.427	1190.	1.177	37.68
Deutschemark	0.231	0.451	1.	96.71	2.522	0.801	1.094	536.5	0.531	16.99
Japanese Yen 1,000	2.387	4.661	10.34	1000.	26.08	8.282	11.31	5548.	5.487	175.7
French Franc 10	0.915	1.787	3.965	383.4	10.	3.175	4.338	2127.	2.104	67.36
Swiss Franc	0.288	0.563	1.249	120.7	3.149	1.	1.366	669.9	0.663	21.21
Dutch Guilder	0.211	0.412	0.914	88.40	2.305	0.732	1.	490.4	0.485	15.53
Italian Lira 1,000	0.430	0.840	1.864	180.3	4.701	1.493	2.039	1000.	0.989	31.66
Canadian Dollar	0.435	0.849	1.885	182.3	4.753	1.509	2.062	1011.	1.	32.01
Belgian Franc 100	1.359	2.654	5.887	569.3	14.85	4.715	6.440	3158.	3.124	100

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 2)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 11/16	offer 12 13/16	bid 13 1/4	offer 13 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15-15¼	12¼-12½	17-18	11⅛-11¼	5¾-6¼	10⁷⁄₁₆-10⁹⁄₁₆	15¼-15¾	30-40	13½-14½	7¼-8
7 days' notice	15⅛-15½	12¼-12½	17-18	11⅛-11⅜	5¾-6¼	10¾-10⅞	15½-16	24¼-28¾	14½-16⅝	7⅝-7¾
Month	15⅛-15¼	12⅜-12⅝	17-17⅜	11⅜-11½	9⅝-9¾	10⅝-10⅞	16½-17	24¼-25½	17¼-18⅛	7⅝-7½
Three months	15⅟₁₆-15⅟₈	12½-12¾	16-16⅜	11⅜-11½	9¾-9⅞	10⁷⁄₁₆-10⅝	17⅜-17⅞	23½-24½	17½-18⅛	7⅛-7¼
Six months	14⅞-14⅞	13⅛-13⅜	15¾-16⅛	11⅜-11¼	9⅝-9¾	10⁵⁄₁₆-10⁷⁄₁₆	17¾-18¼	23½-24½	18-18¾	7⅛-7⅜
One Year	14⅝-14¾	13⅜-13⅝	15⅞-16¼	11⅜-11½	8⅞-8⅞	9¾-9⅞	18⅛-18⅜	23½-24½	17-17½	7⅛-7⅜

SDR linked deposits: one month 12-12⅜ per cent; three months 12⁵⁄₁₆-12⁷⁄₁₆ per cent; six months 12⁹⁄₁₆-12¹¹⁄₁₆ per cent; one year 12⅜-12½ per cent.
ECU linked deposits: one month 14⁵⁄₁₆-14⁷⁄₁₆ per cent; three months 14⁵⁄₁₆-14⁷⁄₁₆ per cent; six months 14⅜-14½ per cent; one year 14⁵⁄₁₆-14⁷⁄₁₆ per cent.
Asian $ (closing rates in Singapore): one month 12⅜-12½ per cent; three months 12½-12⅝ per cent; six months 13-13⅛ per cent; one year 13¹¹⁄₁₆-13⁷⁄₁₆ per cent.
Long-term Eurodollar two years 14¼-14½ per cent; three years 14⅜-14⅝ per cent; four years 14⅜-14⅞ per cent; five years 14⅜-15 per cent nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one month 12.10-12.20 per cent; three months 12.10-12.20 per cent; six months 12.55-12.65 per cent; one year 13.05-13.15 per cent.

MONEY MARKETS

Short rates fall

London clearing bank base lending rates 15 per cent (since November 10)

Short term interest rates were easier in the London money market yesterday, with seven-day interbank funds falling to the lowest level since November 16. On that day the rapid downward movement in rates induced the authorities to lend money to the market at a rate signalling that a further fall in interest rates would not be welcomed.

Since then market conditions have been very tight, keeping interest rates firm despite indications from the Bank of England that an easing of bank base rates will not be resisted. The attitude of the authorities was underlined yesterday, when Sir Geoffrey Howe, Chancellor of the Exchequer, said that his latest statement was designed to increase the prospects for a reduction in interest rates.

Seven-day money fell to 15¼-15⅜ per cent from 15½-15⅝ per cent, but some market observers felt that this merely reflected the sharp fall in the overnight rate as the authorities sought to provide liquidity at a time of large credit shortages, and pointed out that there had been no reduction in Bank of England dealing rates. Others felt that the generous supply of assistance from the authorities, which pushed overnight money down to 1 per cent at the close, was further guidance to the banking system and was designed to provide conditions leading to a cut in bank base rates.

In the morning the Bank of England forecast an overall shortage of credit in the region of £50m, and suggested that the major factors were: bills maturing in official hands −£315m, partly offset by Exchequer transactions +£170m, and above target bank balances +£90m.

Total help from the authorities was £100m, with £78m bills purchased in the morning made up of £1m bank bills in band 1 (up to 14 days maturity) at 14⁹⁄₁₆ per cent; £16m in band 2 (15-33 days maturity) at 14⅜-14⁷⁄₁₆ per cent; and £61m bank bills in band 3 (34-63 days maturity) at 14⁵⁄₁₆-14⅜ per cent.

In the afternoon the Bank of England bought a further £32m bills by way of £15m bank bills in band 1 at 14⁹⁄₁₆ per cent; and £17m bank bills in band 2 at 14⅜ per cent.

Overnight interbank money opened at 15¼-15½ per cent, and declined for most of the day, before falling sharply to 1-3 per cent at the close. Credit is expected to remain in short supply today, but yesterday's assistance should ensure conditions are relieved by bank balances remaining well above target.

GOLD

Firmer trend

Gold closed $7¼ an ounce higher than Tuesday's close in the London bullion market yesterday at $409¼-410¼. It opened at $405¼-406¼ and was fixed during the morning at $405.25 and $406.75 in the afternoon. Trading was particularly dull and featureless with nothing to stimulate much market movement.

In Paris the 12½ kilo bar was fixed at FFr 74,750 per kilo ($412.66 per ounce) in the afternoon compared with FFr 74,750 ($413.05) in the morning and FFr 74,500 ($414.56) on Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 29,160 per kilo ($407.00 per ounce) against DM 28,990 ($407.04) previously and closed at $406¼-407¼ from $402½-403½.

In Luxembourg the dollar per equivalent of the 12½ kilo bar was $405.00 against $406.00.

In Zurich gold finished at $405-408 against $401-404.

	Dec. 2		Dec. 1	
Gold Bullion (fine ounce)				
Close	$409¼-410¼	(£209¼-210)	$402-403	(£206¼-207)
Opening	$405¼-406¼	(£207½-208)	$407-408	(£207½-208)
Morning fixing	$405.25	(£207.661)	$405	(£207.246)
Afternoon fixing	$406.75	(£208.858)	$402.50	(£206.199)
Gold Coins				
Krugerrand	$423½-424½	(£216¾-217¼)	$416½-417½	(£213¾-214¼)
1/2 Krugerrand	$218½-219½	(£111¾-112¼)	$214-215	(£109¾-110¼)
1/4 Krugerrand	$111¼-112¼	(£57-57½)	$109-110	(£56-56½)
1/10 Krugerrand	$45½-46½	(£23¼-23¾)	$44½-45½	(£22¾-23¼)
Mapleleaf	$423¼-424½	(£216¾-217¼)	$416½-417½	(£213¾-214¼)
New Sovereigns	$100½-101	(£51½-51¾)	$98¾-99¼	(£50¾-51)
King Sovereigns	$112-113	(£57¼-58¼)	$111-112	(£57-57½)
Victoria Sovs.	$112-113	(£57¼-58¼)	$111-112	(£57-57½)
French 20s	$102-112	(£52¼-57¼)	$100-110	(£51¼-56¼)
50 pesos Mexico	$508-512	(£259¾-262)	$499-502	(£256-257¼)
100 Cor. Austria	$399-403	(£204-206)	$392-396	(£201¼-203¼)
$20 Eagles	$503-508	(£257¼-259¾)	$502-507	(£257¾-260¼)

MONEY RATES

NEW YORK

Prime rate	15½-16
Fed. funds	12⅜-12½
Treasury bills (13-week)	10.56
Treasury bills (26-week)	10.96

GERMANY

Special Lombard	11.0
Overnight rate	11.05
One month	10.925
Three months	10.70
Six months	10.10

FRANCE

Intervention rate	15.25
Overnight rate	15.75
One month	15.4375
Three months	15.4375
Six months	15.4375

JAPAN

Discount rate	6.25
Call (unconditional)	7.09375
Bill discount (three-month)	7.28125

LONDON MONEY RATES

Dec. 2 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	1-15½	14⅞-15½	—	—	14¾	6-14¾	—	—	—
2 days notice	—	—	15¼-15½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15¼-15⅜	15¼-15⅜	—	—	15½-15¾	14¾-14⅞	—	—	—
One month	15⅛-15	15¼-15⅝	15¼	15⅜-15⅛	15⅝	15¼-15⅛	14⅜	—	—	—
Two months	15⅟₁₆-14⅞	15⅛-15¼	—	15¼-14⅞	15¼	15¼-15⅛	14¼	14⅜-14½	14⅝	15⅛
Three months	14⅞-14¾	15⅟₁₆-15¼	15	15⅜-15	15⅟₁₆	15¼-15⅛	14	14⅜-14⅜	14⅝	15⅛
Six months	14¾-14⅞	14¾-15	14⅞	14⅜-14	14⅟₁₆	15⅛	—	13⅞	14⅛	15
Nine months	14⅝-14⅛	14⅝-14⅞	—	14⅞-14½	14⅟₁₆	14⅞	—	—	13⅞	14¼
One year	14⅟₁₆-14⅟₁₆	14⅟₁₆-14¾	14⅝	14⅞-14½	14⅟₁₆	14⅞	—	—	—	—
Two years	—	—	14⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14⅝ per cent; four years 14⅝ per cent; five years 14⅝ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⁵⁄₁₆ per cent; four months trade bills 14⅞ per cent.

Approximate selling rate for one month Treasury bills 14⅛-14⁷⁄₃₂ per cent; two months 14⁵⁄₁₆-14⁷⁄₃₂ per cent; three months 14⅜-14¹¹⁄₃₂ per cent. Approximate selling rate for one months bank bills 14⁷⁄₁₆ per cent; two months 14⁵⁄₁₆ per cent; and three months 14-14¹¹⁄₃₂ per cent; one month trade bills 15¼ per cent; two months 14⅞ per cent; three months 14⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 13 per cent. Clearing Bank Rates for lending 15 per cent. Treasury Bills: Average tender rate of discount 13.7564 per cent.

WORLD STOCK MARKETS

Wall St lower at mid-session

PROFIT-TAKING and a weak bond market kept stocks lower at mid-session on Wall Street.

The Dow Jones Industrial Average was down 4.66 to 885.56 at 1.00 pm on volume of 32.54m shares (38.59m). Declines led advances by two-to-one.

The NYSE All Common Index was 38 cents lower at $72.80.

A heavy schedule of debt offerings caused bonds to weaken and analysts said investors have moved to the sidelines to await developments in the credit markets.

Profit-taking is also affecting stocks as investors consolidate their gains following the steep run-up in the market over the past five sessions.

Most issues showed only fractional price changes, with Technology, Defence, Rail and Drug stocks all showing losses.

Marathon Oil was the volume leader, dropping ⅝ to $99⅝. The company is still fighting off a takeover bid of $126 a share from Mobil Corp, which was the second most active issue and fell ⅛ to $27.

Selected Energy issues continued the decline that started on Tuesday after a judge ruled that a merger between Mobil and Marathon would violate anti-trust laws.

Cities Service was off ⅜ to $47⅞, Kerr-McGee ⅜ to $39⅛, and Getty Oil, ½ to $67½.

Utility and other interest rate-sensitive stocks were active, reflecting the recent declines in the prime rate.

A block of 100,000 Philadelphia Electric shares traded at $13⅞, off ⅛, 91,500 Niagara Mohawk shares moved at $12⅞, unchanged, 100,000 Detroit Edison traded at $12⅞, up ⅛, and 95,700 H and R Block moved at $38, up ⅛.

THE AMERICAN SE Market Value Index was off 2.72 to 327.84 at 1 pm on volume of 3.66m shares (3.5m).

Knogo Corporation was the most active issue, off ⅜ to $13⅜.

A block of 203,600 shares traded at $14.

Closing prices for North America were not available for this edition.

Canada

Stock prices moved broadly lower and at midsession the Toronto Composite Index was off 17.9 at 1,977.8 on volume of 2.41m shares (2.9m). Winners trailed losers 26 2to 135.

Analysts blamed the poor economic news as well as profit taking after the November rally.

Of the 14 index groups only Real Estate gained. Oils dropped 80.6 to 3,628.7, and Metals fell 18.3 to 1,886.3.

Among the declines, Dome Petroleum, the most active, fell ⅜ to C$14⅜, Canadian Marconi 1⅞ to C$34⅛, and Imperial Oil "A" ½ to C$28. Falconbridge Nickel rose 1 to C$75.

Tokyo

Share prices rallied on bargain hunting in Blue Chips and export-orientated issues responding to the yen's setback against the U.S. dollar.

The Nikkei Dow Market Average gained 44.44 to 7,566.17, but trading was slow on volume of 270m shares. The Tokyo Stock Exchange Index rose 2.37 to 555.29.

Heavy Electric Machines, Light Electricals, Precisions and Communications gained ground, but Autos were sold on concern over Japan's car trade with the U.S.

Hitachi gained Y12 to Y615, Mitsubishi Elec Y5 to Y301, Victor Japan Y130 to Y2,810, Sony Y10 to Y3,820, Nippon Elec Y13 to Y733, Fujitsu Y7 to Y667, Minolta Y14 to Y615 and Asahi Optical Y14 to Y455.

Foods, Oils, Non-ferrous Metals and Speculatives were higher on selective buying, while many Banks continued to rise on speculation of an early cut in official discount rate.

Hong Kong

The Hang Seng Index closed 10.91 down at 1,420.19 after a largely featureless half day's trading. There was some early overseas buying of Blue Chips but prices came off towards the close.

Market attention centred on merger developments between Hong Kong Wharf and World International, both of which were suspended yesterday.

Cheung Kong was 10 cents up at HK$22.30 but other Blue Chips fell slightly.

Hong Kong Bank lost 10c to HK$14.60, Hong Kong Electric 5c to HK$5.25, Hong Kong Land 5c to HK$9.95, Hutchison Whampoa 30c to HK$17.90, Jardine Matheson 20c to HK$17.90 and Swire Pacific "A" 30c to HK$11.90.

Australia

The stock market began to sag yesterday in the wake of the four-day rally. But confirmation of the production potential of the Jackson No 1 Well in the Cooper Basin in Queensland provided a late lift.

The All Ordinaries index finished 2.2 up at 593.0.

After news of a 1,000-barrel-a-day oil flow from Jackson, interest holder Vamgas rose 70c to A$10.30. Among other participants, Santos added 24c to A$5.70, Claremont Petroleum 25c to A$5.70 and Ampol Exploration 5c to A$3.05.

Most trading attention centred on Mr Robert Holmes à Court's A$132m bid for Herald and Weekly Times.

HWT stock was quickly bid up 52c to A$3 at the opening but trading waned after few shareholders looked set to sell and the stock closed at A$2.95.

Germany

Share prices closed mixed after a firm start as profit taking set in and the feeling grew among investors that the Bundesbank will not cut interest rates at its council meeting today.

The Commerzbank Index fell 2.0 to 694.4.

VW closed DM 2.50 higher at DM 133.70 but was below the session high of DM 135. BMW rose DM 2 to DM 199.50 as Daimler fell DM 1 to DM 340.50.

Degussa, which said results in the past financial year were satisfactory, ended unchanged at DM 250. Preussag fell DM 1 to DM 197 despite saying profits in the first nine months were appreciably higher.

In moderate turnover Banks turned lower after recent strength. Dresdner fell DM 2.80 to DM 141.50, Commerzbank DM 0.50 to DM 138.50 and Deutsche DM 1 to DM 276.50.

Leading Chemicals were narrowly mixed, while in Electricals BBC rose DM 3 to DM 205 and Siemens DM 1.70 to DM 204 but AEG fell DM 0.50 to DM 42.10. In Stores Karstadt, which fell DM 8 on Tuesday, lost DM 5 to DM 196.

On a quiet Domestic Bond market, the tone remained positive if cautious ahead of today's Bundesbank council meeting.

Prices of Public Authority bonds rose by up to 0.40 points, while the Bundesbank sold DM 6.1m of paper

Paris

Share prices tended easier in moderate trading despite continued demand prompted by tax concessions under the Monory Law.

Sentiment was depressed by the continued progress of the Nationalisation Bill through Parliament and the continued failure of Opposition efforts to change the terms of the planned state takeovers.

Banks led the trend, CIC slipping 2.1 to FFr 150, while Engineerings, Oils, Chemicals and Electricals also lost ground.

Johannesburg

Golds closed mostly unchanged from Tuesday's finishing levels, reflecting the steady international bullion price.

However, a few small mixed movements were noted, such as Southvaal up 50c at R37.25 and ERPM, down 25c at R15.50. Mining Financials and other Metals and Minerals mirrored Golds.

Indices

NEW YORK —DOW JONES

	Dec. 1	Nov. 30	Nov. 27	Nov. 25	Nov. 24	Nov. 23	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
◆Industr'ls	890.22	888.98	885.94	878.14	870.24	861.79	1024.05 (27/4)	824.01 (25/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	60.55	60.44	60.15	60.23	59.81	60.11	65.78 (15/1)	54.69 (1/10)	—	—
Transport	398.28	395.19	389.81	384.56	382.04	378.12	447.38 (15/4)	355.48 (25/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	115.06	115.59	112.94	112.24	111.38	111.68	117.81 (6/1)	101.28 (28/9)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	53,980	47,580	32,770	58,570	43,749	45,250	—	—	—	—

◆Day's high 896.12, low 881.37.

	Nov. 27	Nov. 20	Nov. 13	Year ago (approx)
Ind. div. yield %	6.25	6.51	6.48	5.48

STANDARD AND POORS

	Dec. 1	Nov. 30	Nov. 27	Nov. 25	Nov. 24	Nov. 23	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
Indust'ls	140.70	140.30	139.31	138.97	137.44	136.16	157.02 (6/1)	128.48 (24/9)	160.66 (28/11/80)	3.52 (30/6/32)
Composite	126.10	125.55	125.09	124.05	123.51	121.60	138.12 (6/1)	116.01 (24/9)	140.52 (28/11/80)	4.402 (1/6/32)

	Nov. 18	Nov. 11	Nov. 5	Year ago (approx)
Ind. div. yield %	5.41	5.29	5.18	4.82
Ind. P/E Ratio	8.18	8.36	8.51	9.89
Long Gov. Bond yield	12.68	13.25	13.60	11.95

N.Y. S.E. ALL COMMON

Dec. 1	Nov. 30	Nov. 27	Nov. 25	1981 High	1981 Low
73.18	73.37	72.71	72.15	79.14 (6/1)	64.96 (25/9)

Rises and Falls

	Dec. 1	Nov. 30	Nov. 27
Issues Traded	1,948	1,945	1,767
Rises	672	975	952
Falls	850	583	495
Unchanged	426	387	320
New Highs	36	58	43
New Lows	12	11	10

MONTREAL	Dec. 1	Nov. 30	Nov. 27	Nov. 26	1981 High	1981 Low
Industrials	344.11	344.88	342.67	337.18	408.56 (27/5)	310.21 (25/9)
Combined	324.87	325.72	323.91	318.51	376.28 (18/6)	295.97 (25/9)
TORONTO Composite	1,985.7	2012.1	1989.6	1972.7	2578.8 (10/4)	1812.48 (25/9)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Marathon Oil	849,101	100	−5	Amax	591,100	60	+1½
Mobil	640,200	27¼	+ ¾	Wendy's	541,600	14⅝	− ⅛
Archer-Dan	625,500	17⅞	+ ⅛	IBM	527,100	54⅞	− ⅜
Dow Chemical	617,700	26⅞	+ ⅜	Exxon	508,600	32⅞	+ ⅛
Texaco	600,500	34⅞	+ ⅛	General Motors	470,100	38⅞	+1⅛

	Dec. 2	Dec. 1	Nov. 30	Nov. 27	1981 High	1981 Low
AUSTRALIA All Ord. (1/1/80)	593.0	591.2	593.8	585.5	[illegible] (8/4)	546.8 (29/10)
Metal & Minrls (1/1/80)	441.5	444.4	447.7	438.1	756.2 (7/1)	404.5 (20/11)
AUSTRIA Credit Aktien (2/1/62)	54.81	54.92	54.88	54.82	60.46 (5/1)	53.94 (13/10)
BELGIUM Belgian SE (31/12/63)	72.17	71.78	73.18	73.17	98.15 (17/2)	69.55 (30/6)
DENMARK Copenhagen SE (1/1/73)	120.82	120.90	120.17	119.35	121.11 (19/11)	95.38 (2/1)
FRANCE CAC General (29/12/61)	91.2	92.2	91.7	90.50	112.5 (17/8)	77.3 (15/6)
Ind Tendance (31/12/80)	89.2	89.7	88.6	88.80	109.5 (10/3)	78.2 (12/6)
GERMANY FAZ-Aktien (31/12/58)	226.93	227.34	227.09	225.74	243.47 (5/7)	215.88 (9/2)
Commerzbank (Dec1953)	694.4	696.4	696.0	691.50	749.0 (5/7)	656.4 (16/2)
HOLLAND ANP-CBS General (1970)	85.6	86.0	85.5	85.6	96.8 (20.5)	78.5 (29/9)
ANP-CBS Indust (1970)	62.9	63.2	63.5	62.30	76.4 (22/5)	61.5 (30/10)
HONG KONG Hang Seng Bank (31/7/64)	1420.19	1431.10	1,458.22	1451.07	1810.20 (17/7)	1113.77 (5/10)
ITALY Banca Comm Ital (1972)	201.45	199.99	199.75	197.24	232.85 (5/6)	158.44 (24/7)
JAPAN** Dow Average (16/5/49)	7566.17	7521.73	7549.33	[illegible]	8019.14 (17/8)	6956.52 (15/6)
Tokyo New SE (4/1/68)	555.29	552.92	554.45	554.99	603.92 (17/8)	495.79 (5/1)
NORWAY Oslo SE (1/1/72)	150.58	151.76	152.98	152.84	145.72 (8/8)	118.34 (5/6)
SINGAPORE Straits Times (1966)	765.29	765.75	758.66	744.10	875.26 (25/6)	615.28 (1/9)
SOUTH AFRICA Gold 1958)	(u)	595.0	597.0	594.5	797.8 (7/1)	476.8 (5/7)
Industrial (1958)	(u)	699.2	699.1	698.9	798.4 (21/10)	567.2 (5/2)
SPAIN Madrid SE (30/12/80)	128.27	128.90	(c)	128.77	148.13 (8/5)	100.46 (2/1)
SWEDEN Jacobson & P. (1/1/58)	629.85	630.65	633.42	623.35	680.51 (10/8)	404.17 (29/1)
SWITZERLAND SwissBankCpn. (31/12/58)	254.2	254.1	254.8	254.1	304.2 (2/4)	242.9 (17/11)
WORLD Capital Intl. (1/1/70)	—	149.8	150.3	148.7	162.8 (8/1)	135.6 (28/8)

(**) Sat. Nov 30, Japan Dow 7,565.76, TSE 555.8.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last-named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed.

JOBS COLUMN

Latest rough guide to managerial salaries

BY MICHAEL DIXON

HAVE A heart, please. That appeal is addressed to anyone inclined to protest about this column's publication of United Kingdom pay indicators drawn from the thrice-yearly Reward survey. Two or three people usually do complain. But they are far outnumbered by those who want the indicators to the extent, in at least two dozen instances over the past fortnight of ringing up and demanding to know when the figures will be printed.

It is true that all salary surveys present a distorted picture of reality, and that the Reward exercise is no exception. But I have never pretended otherwise and provided everyone concerned recognises that the accompanying figures are no more than a sketchy guide, there is surely no harm in making them available.

The information for the survey comes from what Reward calls a balanced cross-section of 100 companies in addition to professional institutes and recruitment registers. Those wishing to know more should contact Bill Couldrey at 1 Mill Street, Stone, Staffs, ST15 8BA; telephone 0785 814554.

The latest, autumn statistics covered a total of 11,388 senior, middle and junior white-collar workers. But only the bottom line of my table refers to this total sample.

The rest is concerned solely with the most senior managers below directorial rank in 27 functions of industrial and commercial companies. Against each of these 27 categories there appear three pairs of money figures, followed by one pair of percentage figures.

Most senior manager below rank of director in each function	Lower quartile		Median		Upper quartile		% change on medians over past year	
	Basic salary	Total money rewards	Basic salary	Total money rewards	Basic salary	Total money rewards	Basic	Total
	£	£	£	£	£	£		
Civil/structural engineering	11,081	11,081	13,750	13,750	20,000	20,000	+19.6	+19.6
Company secretarial	10,000	11,000	13,415	13,675	17,000	17,000	+11.8	+ 8.5
Personnel	11,000	11,126	12,340	12,689	15,000	15,125	+23.4	+26.4
Project engineering	10,500	10,746	12,326	12,480	15,750	15,750	+23.3	+21.2
Production	10,548	10,800	12,110	12,353	14,700	16,050	+10.1	+12.3
Accounts	10,460	10,695	12,025	12,312	14,724	15,000	+ 9.3	+11.9
Marketing	10,000	10,000	12,000	12,211	13,500	14,500	+21.8	+18.3
Sales	10,000	10,500	11,667	12,042	13,750	14,795	+16.7	+14.7
Administration	9,600	9,600	11,640	12,000	15,000	15,000	+25.5	+20.0
Data systems	10,200	10,449	11,535	12,000	13,236	13,350	+15.4	+20.0
Research and development	9,720	10,000	11,325	11,716	13,800	14,500	+16.0	+18.2
Electronic engineering	10,000	10,000	11,171	11,500	12,150	12,345	+29.5	+27.7
PR and advertising	9,000	9,180	11,000	11,090	13,824	14,318	+10.0	+10.9
Metallurgy	9,500	9,500	10,745	11,003	13,400	13,400	+ 7.5	+ 4.8
Electrical engineering	9,300	9,765	10,667	11,700	12,800	13,000	+10.4	+15.9
Management services	9,351	9,400	10,659	10,870	14,025	14,635	+ 6.6	+ 6.1
Chemistry	8,556	9,200	10,430	10,463	13,250	13,250	+15.9	+15.1
Purchasing	8,800	8,850	10,400	10,505	12,250	12,600	+22.0	+20.4
Distribution	8,844	8,956	10,275	10,389	13,000	13,000	+ 2.8	+ 3.9
Mechanical engineering	9,300	9,300	10,250	11,000	12,800	12,885	+10.8	+16.4
Cost and works accounting	8,987	9,000	10,230	10,250	11,556	11,900	+12.8	+ 9.5
Physics	8,500	8,500	10,002	10,030	12,000	12,000	+17.7	+18.0
Quality assurance	8,500	8,500	9,927	10,193	12,100	12,200	+19.5	+19.9
Computer operations	8,625	9,000	9,914	10,200	11,300	11,772	+ 7.2	+ 7.4
Drawing office	8,289	8,289	9,437	9,487	10,797	10,797	+11.0	+11.6
Servicing	7,600	7,750	8,646	9,000	10,000	11,100	+15.3	+11.7
Estimating	8,250	8,251	8,870	9,370	10,100	10,148	+18.3	+24.9
Total—all ranks and functions	7,000	7,150	8,600	8,900	10,800	11,100	+13.8	+13.5

In each pair of money figures the first represents salary net of any commission or bonus paid in cash, and the second the total rewards received in money.

The left-hand pair refers to to the lower-quartile executive—the person who would be placed a quarter of the way up from the bottom in a ranking of all the people of the relevant managerial rank and function. The middle pair of money figures refers to the median executive who would be half-way in the ranking. The next pair represents the upper-quartile manager a quarter of the way down.

The percentage figures show the change first in the basic salary and then in the total cash rewards of the median manager in each category since the survey for autumn 1980.

But Reward says that these annual rises conceal a definite slowing of the rate of increase within the past year. From November to February the survey showed an overall rise in earnings of 5.6 per cent; the corresponding figure fell to 3.4 per cent during March-June, and in July-October was down to 1 per cent.

As always, readers are recommended to make certain adjustments to the table's figures before using them even as a rough guide. If the company concerned employs no more than 250 people, a 3.25 per cent subtraction is needed. For concerns with 251 to 2,000 employees 7.25 per cent should be added, and for bigger groups an 18.25 per cent increase is recommended.

Regional variances on the overall median were as follows: London higher by 11.4 per cent, Scotland by 2.9, South-East England by 2.6, and East Anglia by 2.3; West Midlands lower by 2.1 per cent. North-west England by 2.3, South-west by 3.3, East Midlands by 3.6, Yorkshire and Humberside by 4.9, Wales by 5.3, and North England by 7.2 per cent.

Industrial variations were: food, drink and tobacco higher by 11.2 per cent, construction by 10.5, and chemicals by 7.2; miscellaneous manufacturing lower by 1.2 per cent, mechanical and electrical engineering each by 4.1, and distributive trades by 7 per cent.

Two sought

DAVID JOHNSON, who hunts heads from his encampment in Nantwich, is seeking two people. Since he may not name either employer, he promises that any applicant who so asks will not be identified to the company concerned without further notice.

The first job is in North Wales with a fine-chemicals, pharmaceuticals and cosmetics group which wants a qualified accountant experienced in all aspects of financial management as its financial controller-cum-company secretary. Salary around £15,000 with car among oher benefits.

The second is in London for a successful fleet-sales executive with a national group of motor-vehicle distributors. Salary of £15,000 with, initially, a guaranteed £3,000 bonus, and perks including car.

Inquiries to Mr Johnson at REP Consultants, 14 Barker Street, Nantwich, Cheshire CW5 5SY; tel. 0270 626828.

A CALL TO SCHOOL LEAVERS OF 1981

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THE NATIONAL COUNCIL FOR THE TRAINING OF JOURNALISTS
Carlton House, Hemnall Street, Epping, Essex, CM16 4NL.

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Please write for an application form to Miss V. A. Waters, Site Personnel Manager, Glaxo Operations UK Ltd., Greenford Road, Greenford, Middlesex or call 01-422 3434, ext: 2325, quoting ref: B.203.

Glaxo Operations UK LIMITED

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Written applications containing career details and a contact telephone number should be forwarded, in confidence, to Anthony J Forsyth, B.Sc., at our London address, quoting reference number 3489.

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Tel: 041-226 3101.
3 Coates Place, Edinburgh EH3 7AA. Tel: 031-225 7744.

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FINANCIAL ANALYST

CRAIGAVON, NORTHERN IRELAND **From £10,000**

Our client, a manufacturing company within the engineering sector, is a major subsidiary of a substantial international corporation.

The person appointed will report to the Controller and will be responsible for the following areas:

- The comprehensive reporting of manufacturing performance on a regular monthly basis and in relation to special projects;
- The implementation and maintenance of reporting systems necessary to guide plant management in evaluating performance and making operating decisions;
- The co-ordination of Annual Plant Capital Budgets, including assisting in their preparation;
- A wide range of other activities in the areas of management performance reviews, monthly forecasts, capital expenditure analysis and other special projects.

The successful applicant will not necessarily be qualified but relevant industrial experience is essential.

Initial salary will be negotiated from £10,000 per annum, depending on experience.

Normal fringe benefits will be provided.

Applications should be sent to Mr. Henry Saville, at 1/3 Donegall Square South, Belfast BT1 5LL, quoting reference number 29/1942. All replies will be forwarded direct to our client unless a list of restricted companies is sent in a covering letter.

Peat, Marwick, Mitchell & Co.
Management Consultants
1/3 Donegall Square South
Belfast BT1 5LL

CORPORATE PLANNING MANAGER

LONDON

Pandrol International Ltd., the London-based parent of a worldwide group of operating companies engaged in the manufacture and supply of railway track equipment and the provision of track services, must fill the above post as a result of internal promotion.

The Group is developing and diversifying its interests in track-related business. Informed and systematic planning is vital to the achievement of our long-term objectives.

Responsibilities of the job include:

- Monitoring the internal and external environments affecting Group operations through an established planning system, capable of development;
- Identification, analysis and evaluation of new investment opportunities in conjunction with Group Company functional heads;
- Supervision of the preparation of budgets and forecasts developed from and integrated with Group control and planning systems.

The Corporate Planning Manager reports to the Group Financial Director and should be a graduate in Business Studies, or a qualified accountant with at least five years' broad-based experience in industry, banking and finance, or stockbroking. Original thinking and the ability to communicate effectively at all levels are attributes sought.

An attractive remuneration package will be offered.

Candidates age 28-40 should apply in writing to:

The Financial Director
PANDROL INTERNATIONAL LIMITED
9, Holborn, London EC1 2NE

Assistant in the Treasurer's Department

The Treasurer's Department at the London Headquarters of RTZ, the UK based mining and industrial group, is involved, either directly or in an advisory capacity, with fund raising, cash management and planning, currency risks, dividend policies, remittances, and investment funding proposals as well as a number of varied corporate finance matters.

RTZ wishes to recruit a member for the small professional team who will assist in all aspects of the Department's work, but will specifically be responsible for:

- preparing a monthly report on certain cash positions;
- monitoring the cash and borrowing position of subsidiary companies;
- reporting on market rates, interest rate structures and comparisons of various market instruments;
- participating in corporate matters as required.

The job is most likely to appeal to a young man or woman who is looking for a move into the commercial aspects of treasury work. We would like to recruit an individual who has already had some treasury experience having qualified as a chartered accountant, banker, lawyer or business graduate.

An attractive salary will be offered based initially on the person's previous experience.

RTZ

Please write giving details of career to date or telephone for an application form to: David Westcott, Group Personnel Services Department, Rio Tinto-Zinc Corporation Ltd., 6 St. James's Square, London SW1Y 4LD. Tel: 01-930 2399.

Financial Analyst

London

The Chase Manhattan Bank N.A., a leading international bank with a world-wide presence, is currently seeking a Financial Analyst for its European Area Office based in the City of London.

The position, created due to an internal promotion, carries responsibility for analysing the financial performance of our European branches and businesses, including asset and liability management analysis and the evaluation of new projects and programs.

Ideally you will be in your mid-twenties, hold a degree and/or accountancy qualification and preferably have a minimum of three years' experience in a financial environment using sophisticated computer based MIS systems and timesharing databases. You will also be self-motivated, capable of working under pressure and able to communicate effectively at all levels.

A highly competitive salary will be supported by the wide range of benefits you would normally expect from a major international bank.

Please write with a comprehensive c.v. to Janice Grant, Chase Manhattan Bank N.A., Woolgate House, Coleman Street, London EC2P 2HD.

CHASE

Manager

FINANCE SERVICES

Slough **£12,000 Plus**

Slough Estates Limited seeks an ambitious banker or treasury assistant to become a key member of its financial executive, with particular responsibility within the treasury function for the raising, control and utilisation of funds internationally. The Company has an impressive growth record in the development and management of industrial/commercial property in major centres of the world.

Candidates, probably in their early thirties, will for preference be AIB, ACIS, ACT, MBA or hold an appropriate accounting qualification. However, formal qualifications are secondary to a comprehensive understanding and knowledge of banking and security markets acquired in a joint stock, merchant bank, or the treasury function in industry.

The starting salary will be around £12,000 plus other exceptional benefits which materially increase the total remuneration package.

For a full job description candidates should write giving details of education and career history to:

Roy Miller—Personnel Manager
Slough Estates Limited
234 Bath Road
SLOUGH, SL1 4EE

FINANCIAL CONTROLLER

NOTTINGHAM **Around £14,000 plus Granada**

The Pork Farms Group, one of the leaders in the meat products industry, has an outstanding record of growth and profitability. This success is based upon an absolute commitment to quality and an aggressive programme of capital expenditure. One major new factory was opened last year, and two more are due for completion by mid 1982.

The vacancy is in Pork Farms, the main operating division of the Group, employing some 1,300 people. It produces a wide range of pork pies, hot pies, and associated products, sold both through a van sales operation and its own shops. The Financial Controller is responsible for all the financial and accounting functions and has a staff of around 50 people.

Ideal candidates (male or female) will be qualified accountants, probably graduates aged around 35 and with significant experience in a manufacturing environment. This is not a backroom accounting job; it therefore requires a high level of intellectual, personal and management skills. Equally important is the ability to contribute as part of the senior management team through a wider commercial involvement. Since a priority will be the further development of accounting and management information systems using an IBM System 34, experience in this area also is essential.

The salary package is as indicated, together with BUPA, relocation assistance where appropriate, and contributory pension plus life insurance schemes. Career prospects are very real, either with the Pork Farms Group or in other parts of the parent company, Northern Foods.

Please write with details of age, experience, qualifications and present salary to:-

Personnel Manager
Pork Farms Group
Queens Drive
Nottingham NG2 1LU.

Pork Farms

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Salaries, dependent upon experience, are competitive; but the greatest benefit is the prospect of a truly professional career which can lead to a senior position in this respected firm.

Interested? Then contact me, Ian L. Duff, MBA, the advisor to the firm at Cripps, Sears & Associates, Burne House, 88/89 High Holborn, London WC1V 6LH. Tel: 01-404 5701.

This position is open to both men and women.

Cripps, Sears

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Loans Administration c. £10,000

A senior loans administrator is required by an international bank. The ideal candidate will be aged late 20's and have had at least 3 years relevant experience in the administration of Eurocurrency loans.

ECGD Officer c. £9,500

A city based bank requires an experienced officer, aged 25/33, with a sound background in export finance, confirming house credits and finance and have had some marketing experience.

Loans Officer c. £9,500

A major bank requires a loans officer aged late 20's to join a professional team dealing with the bank's UK loan portfolio. Applicants should be graduates, possess AIB, and have had at least 2 years experience in credit analysis, writing reports and business development.

Credit Analysis c. £8,000

An international bank requires a credit analyst, aged late 20's, preferably with an American bank background to work on corporate and bank analysis. Applicants should be suitably qualified and have 2-3 years relevant experience.

LJC Banking Appointments Ltd.
170 BISHOPSGATE, LONDON EC2M 4LX
01-283 9953

Foreign Exchange Traders
London and North America

The Chase Manhattan Bank N.A., which has a worldwide Foreign Exchange network, is currently seeking Foreign Exchange Traders for both the London branch and its operations in North America.

In line with continuing growth in our highly profitable foreign exchange area, we are looking for traders with at least 3 years' successful experience in Foreign Exchange Trading to become senior members of an extensive trading team either in London or North America.

After initial orientation the successful candidate should be capable of becoming quickly integrated into the team and making a positive contribution to trading results.

These appointments offer excellent opportunities for joining a highly professional team with an international outlook.

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Telephone 01-600 6141, Ext. 4415.

CHASE

Gilt Marketing

The Gilt-Edged Department of Wood, Mackenzie & Co. provides a comprehensive service in long, medium and short-dated stocks to institutional clients.

The department has expanded its activities considerably over the last three years, and now requires additional personnel to provide marketing services to clients. The vacancies are for executives with two or more years' experience in the long and/or short gilt markets. Relevant experience would be in fund management, stockbroking, or some related field.

The positions are located in London. A fully competitive salary will be offered plus profit-related bonus and additional fringe benefits.

Please apply to: T. Grimes, BSc, FIA,
Wood, Mackenzie & Co., 62/3 Threadneedle Street,
London EC2R 8HP. Tel: 01-600 3600

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As major dealers in the investment trust sector, we are seeking a knowledgeable, alert individual to assist in the statistical department and also to liaise closely with the dealing staff.

We envisage that this will develop into a major appointment.

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AKROYD & SMITHERS PLC
Austin Friars House, 2/6 Austin Friars
London EC2N 2EE

INTERNATIONAL BANKING

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qualified + 5 years' minimum banking experience for International Bank

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good Credit/Marketing experience essential. For prime U.S. Bank.

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The ability to present successfully his/her findings to the firm's institutional clients will be important.

The successful applicant is likely to be experienced in institutional investment or financial journalism or come directly from the oil industry. An exceptional new graduate with a geological background would also be considered.

Remuneration will be based on qualifications and experience and will consist of a basic salary plus participation in the firm's profits.

Applications which will be treated in strict confidence should be sent with a c.v. to: The Managing Partner, Fielding, Newson-Smith & Co., 31, Gresham Street, London, EC2V 7DX.

Fielding,
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The Investment Specialists' Consultancy

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Analyst, probably aged 24-35 with a good degree and at least three years research experience, part of which will have been gained covering the Construction and or Building Materials sector, for major UK Stockbrokers.

INSTITUTIONAL SALES
£10,000 to £40,000
GILTS – FAR EAST
UK EQUITIES – EUROPE

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c £25,000

A highly motivated experienced executive, probably with attached business, to join a major International UK Broker and be involved with planning the further development of their substantial private client department.

For an initial talk, in the strictest of confidence, about these or many other positions in Stockbroking or Institutions from £8,000 to £50,000 please contact Anthony Innes or Stephen Embleton.

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International Recruitment
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Telephone: 01-236 7307

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You will be trained in all aspects of the company's business from the processing of initial enquiries, negotiations with our established Lending Institution connections, progressing through to the completion of advances.

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c.£30,000 + benefits

A thoroughly experienced individual aged 30-40 with sound understanding of most markets, to work alongside manager of sizeable commodity fund in the Gulf.

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We are currently interested in talking to high calibre gilt, bond or commodity traders and dealers or sales executives who wish to pursue careers in this exciting new market.

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A highly motivated individual with established clients and a keen desire to join International Commission House with first class back-up.

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Commodity Recruitment Consultants
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For further details, please telephone Ken Anderson or Leslie Squires on 01-248 7421 or 01-248 8876

Anderson, Squires
Bank Recruitment Specialists
Regina House, 1-5 Queen Street
London EC4N 1FP

Anderson, Squires

International Appointments

GHANA FORESTRY COMMISSION

VACANCY FOR THE POST OF CHIEF EXECUTIVE, GHANA TIMBER MARKETING BOARD

Applications are invited from suitably qualified persons for the post of Chief Executive of the Ghana Timber Marketing Board, a division of the Ghana Forestry Commission, based in Takoradi.

Qualification

Candidates must not be less than 40 years of age, must be graduates of a recognised university with at least 10 years' experience in a high commercial or administrative position in a large organisation.

Duties

The Chief Executive of the Ghana Timber Marketing Board is one of the topmost positions in the Ghana Forestry Commission and carries with it the ex-officio membership of the Ghana Forestry Commission. It therefore calls for a man of high integrity, as well as high administrative, commercial and moral capabilities. This challenging job offers a very wide scope for the display of originality, initiative and drive in organisation. The Chief Executive is expected to offer advice to the Ghana Forestry Commission and the Ghana Government in the formulation of policy for the marketing of the forestry products.
More specifically, the duties entail the planning and direction of the organisation, charged with the control, regulation and assistance to the timber industry as stipulated in the Ghana Forestry Commission Act, 1980 (Act 405).

Remuneration

Salary, allowances and other fringe benefits are very generous and subject to negotiation.

Method of Application

Applications (4 copies) incorporating the full curriculum vitae of applicants and naming two referees should be addressed to:—

The Chief Administrator
GHANA FORESTRY COMMISSION
Private Mail Bag, Ministry Branch Post Office, Accra

not later than 5th January, 1982. Only copies of certificates and testimonials should be attached.

Merzario

FINANCIAL CONTROLLER

The group is one of the largest international transport and forwarding companies in Italy, based in Milan with subsidiaries all over the country and abroad.

A financial controller is required for the Saudi Arabian subsidiary to be responsible for co-ordination of activities related with financial reporting, budgeting, cost accounting investment and working capital control as well as relations with banks.

Such a position could be interesting for candidates with an experience of cost accounting or auditing who wish to increase their professionality and/or responsibilities as well as for candidates with an already similar position in small- or middle-sized companies.

Work location is Jeddah.

The salary is negotiable and will reflect the attributes of the successful candidate. Fringe benefits which include company car and housing are fully competitive.

Confidential applications with full details should be submitted to:
Andrea Merzario S.p.A. — Selezione del Personale — Via Cavriana 14, 20142 Milan, Italy.

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Please write in confidence with full personal career and salary details under reference TD 254 AF
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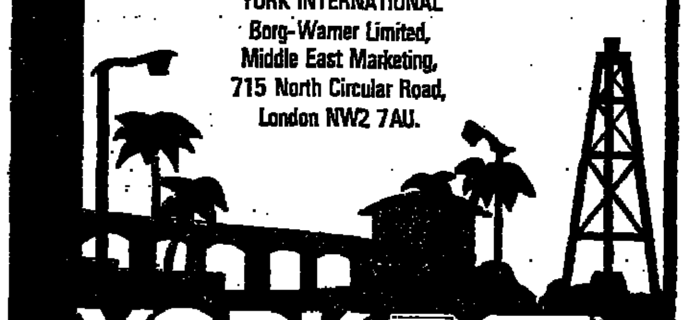
Middle East Marketing,
715 North Circular Road,
London NW2 7AU.



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International Appointments

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The appointments will initially be made at single status, but there are opportunities after a qualifying period for family status. Every opportunity will be offered to achieve a successful long term future with the Company, coupled with excellent financial rewards.

Contact: TONY STAPLES
JAMES BAKER ASSOCIATES
International Personnel Consultants
32 Savile Row, London W1X 1AG Tel: 01-439 9311

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A major Arab international bank requires additional staff for its credit, lending, syndications, auditing and legal departments. The requirements for each position are indicated below:—

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Individuals, about 30 years old, with two to three years' syndication experience in an active syndication department as well as several years' general banking background with the proven ability and experience to negotiate documentation with both borrower and syndicate, structure a syndicated loan, prepare information memoranda and to arrange lead manager meetings and signings. Candidates should be prepared to work long hours, demonstrate initiative and creativity and be willing to work as part of a team.

LENDING OFFICERS
Individuals, about 30 years old, with experience in lending to corporate entities, particularly in the areas of construction and/or project finance. The individual concerned would market both local and foreign corporations operating in the Gulf countries.

CREDIT OFFICER
An experienced credit officer is required to be responsible for setting up a credit department and to design and implement new credit procedures for the head office and the bank's growing worldwide branch network. The successful applicant should be able to demonstrate good credit judgment and have the drive and self-motivation to employ and train the appropriate staff to support him. Age is not important for the right candidate but will probably be about 40.

HEAD OF AGENCY AND LOAN ADMINISTRATION
A mature individual with three to four years' similar experience is required to head the agency and loan administration function. Applicants should be familiar with Eurocurrency documentation and be able to interpret the loan agreements to effect the agency function as well as to devise checking systems for the covenants and representations. Loan accounting and administration experience is also essential. The successful applicant will spend a good amount of his time training local staff.

ASSISTANT LEGAL COUNSEL
Qualities sought for this position are at least three years' post-qualification or admission experience in international financial law within a major financial institution or English or American firm. The successful candidate should be a self-starter, sensitive to people, willing to travel and assume major responsibilities and interested in a career opportunity. Arabic language ability is not a necessity, but a plus.

INTERNAL AUDITOR
Internal auditor over 30 years of age with at least five years of financial systems and operations auditing experience. Responsibilities include establishing the audit function at the bank's head office. Middle Eastern audit experience will be an advantage.

All the appointments are for initial posting in Bahrain although opportunities will arise in two or three years for appointments in other world financial centres. Candidates for all positions should be willing to train and work with local staff. Remuneration and fringe benefits will be competitive and commensurate with qualifications and experience in a zero tax environment. Preference will be given to candidates with professional qualifications or university degrees and to those with linguistic skills.

Please send a full curriculum vitae, including salary history, to:—
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BDC

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Support for Singapore tea auction

By our Singapore Correspondent

SINGAPORE'S FIRST international tea auction held yesterday met with enthusiastic response.

Some 2,500 chests of north Indian tea were auctioned at prices between $1.56 to $S.61 a kilo. The bulk of the buying came from the UK, Australia, the U.S. and West Africa, with small quantities going to Singapore buyers.

There were ten buyers at the auction. About 50 per cent of the tea offered went to Lipton (Far East) and 30 per cent to European Tea and Commodities.

Mr D. G. S. Marsh of Lipton (Far East) disclosed that the next auction will be held on December 15. He also expects teas from other origins to feature in auctions early next year.

The auction is conducted by founder members of the Tea Auction Association of Singapore—currently being registered—whose founder members are: Brooke Bond Liebig Singapore, Commodity Factors (Singapore), European Tea and Commodities, Harrisons and Crosfield, Lipton (Far East), M. Jumabhoy, NG Choon Seng, Straits Tea Trading Tecof and two tea broking concerns, Geo. White and J. Thomas.

Singapore is the second international tea auction centre in the world after London which launched its tea auction in 1839.

English land value drift continues

By Our Commodities Staff

THE SLIGHT downward trend in English land prices is continuing, according to figures published by the Ministry of Agriculture yesterday.

The average price of vacant possession land changing hands in the three months ended October actually rose by £33 to £3,966 a hectare but the weighted average, which allows for regional and size group variations, was down to £3,926 a hectare from £3,954 in the July-September quarter.

The figures were based on 299 reported sales covering 10,856 hectares.

EEC farm price proposals delayed

BY LARRY KLINGER IN BRUSSELS

THE LACK of agreement by the EEC member-states on guidelines for revamping the Common Agriculture Policy (CAP) has forced the European Commission to postpone drawing-up proposals for new guaranteed farm prices for the coming year.

The annual springtime price-fixing by the EEC's Agriculture Ministers sets to a large extent the way in which the costly business of subsidising EEC agriculture will be conducted, and yesterday's Commission decision is bound to increase fears that the proposed CAP reform will come too late to make an immediate impact on agricultural arrangements and spending for 1982.

The Commission yesterday was set to receive a first report from Mr Poul Dalsager, the Commissioner responsible for agriculture, but decided it had no choice but to postpone the entire price-fixing process in view of the failure last week of the London summit meeting to agree new guidelines.

The EEC's ten Foreign Ministers are to meet in special session late this month to tackle the four outstanding issues of dairy policy, support levels for Mediterranean-area producers, growth limits on total agriculture spending and, finally, the effects on the overall EEC budget itself.

Commission officials said they were confident that, if the Foreign Ministers reach agreement, they could approve new price proposals ahead of the agriculture ministers' first 1982 council meeting in January. The Commission's original timetable called for its proposals to be agreed by December 18.

However, it was still unclear yesterday whether enough common ground could be found among the ten member States to enable to the Foreign Ministers to meet productively.

The fear then would be that the Commission would be forced to proceed on the basis of its own guidelines, in which case the outstanding issues might once again have to go before the next summit meeting in March, only days before the April price-fixing deadline.

● Meanwhile, Mr Dalsager and his top officials yesterday cancelled three days of talks in Madrid following Tuesday night's reshuffle of the Spanish Government which included the appointment of a new Agriculture Minister, Sr Jose Luis Alvarez.

Mr Dalsager, who was to have discussed the whole range of agricultural questions arising from the planned enlargement of the EEC to include Spain and Portugal, is now expected to visit Madrid late next month or early in February.

New move in cane dispute

BY LARRY KLINGER IN BRUSSELS

THE EUROPEAN Commission yesterday approved new proposals designed to end the protracted sugar price dispute between the European Community and the African, Caribbean and Pacific Ocean (ACP) countries grouped under the EEC's special Lomé trade and aid arrangements.

The Commission's move comes only one day after the EEC ambassadors to Brussels from the 60 ACP states called for a special "last resort" joint council meeting of ACP-EEC ministers if the Community's 10 Foreign Ministers did not improve the sugar price offer at their meeting next week.

The Commission is proposing that the offer of a 7.5 per cent for the 1.3m tonnes of ACP cane sugar allowed to be exported annually to the EEC be increased to a backdated 8.5 per cent, the same as that awarded last April to European beet growers and the minimum demand of the Third World producers.

The Commission is also proposing that Tate and Lyle, the British refiner that takes virtually all of the ACP imports, be exempted from the Community's storage levy and aid scheme.

This proposal had been produced informally to the EEC Council of Agriculture Ministers last month but was immediately opposed by France and West Germany as contrary to the principle that the EEC's internal marketing arrangements be self-financing.

The Commission, however, believes it has come up with an arrangement that will satisfy the entire Council and still help to maintain Tate and Lyle's profit margins, which was Britain's declared aim when it refused to approve an 8.5 per cent offer.

The Council of Ministers at Britain's insistence, has consistently refused to increase the original offer, which the ACP states have attacked as an attempted *fait accompli* without due regard to the negotiation procedure laid down by the Lomé Convention.

Sugar futures values declined on the London market yesterday after a slightly higher-than-expected level of export authorisations was announced following the weekly export tender in Brussels. The March position ended the day £3.325 down at £164.85 a tonne.

Plan boosts cocoa prices

By Our Commodities Staff

NEWS OF a concerted producer plan to boost cocoa prices helped to lift futures values on the London market yesterday.

Members of the Cocoa Producers' Alliance (CPA) meeting in Douala, Cameroun, are reported to have agreed to stockpile 60,000 tonnes of 1982-83 new crop cocoa, to try and raise an extra $40m for the International Cocoa Organisation (ICCO) buffer stock fund, and to seek the tripling of the one cent a pound export levy paid to the ICCO.

These moves would be in addition to ICCO plans to raise its buffer stock to 100,000 tonnes with the purchase of a further 36,000 tonnes using money remaining in its original fund. If agreement can be reached on deferred payment purchases this figure could be raised as high as 160,000 tonnes. The total deliberately held off the market by the producers and the ICCO could therefore reach 220,000 tonnes, even ignoring the amount that could be purchased by the buffer stock manager with the proposed extra $40m.

MARKET PROFILE: GAS OIL FUTURES

An energetic youngster

BY ROY HODSON

IF EVER there was an enterprise cunningly designed to fill a gap it it the London gas oil futures market, which began trading last April and is now turning over about £15m a day.

The oil business grew up as a trade between a select few oil producers and a number of operators at the distribution end of the trade who handled the many fractions of the oil barrel, from light distillates through the petro-chemical feedstocks to heavy fuel oil.

A futures market in crude oil has often been contemplated, but just as often dismissed as impracticable because the trade is in large lots (tanker loads of perhaps 250,000 tonnes apiece), because a very small number of principals are involved, and because crude oil varies greatly in quality.

The concept of a heating oil (gas oil) futures market was first tried out in New York three years ago. Although trading there has been more or less confined to North American business, it has worked well and is now handling the buying and selling of more than 650,000 tonnes a day.

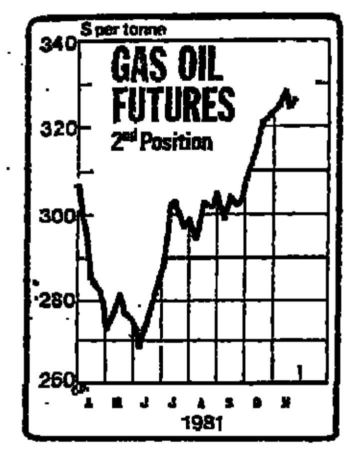
The London Commodity Exchange, which runs most of the non-metal futures markets in London, also became interested in the oil business. It came to a similar conclusion that, if a futures market in oil was to be made, it must be in the most easily identifiable of the oil products rather than crude oil. Again gas oil was chosen.

The London gas oil futures market under the aegis of the International Petroleum Exchange of London (itself part of the London Commodity Exchange Company) started trading in April.

The London market has not looked back since. As a bonus *it has become established* as an international market in a way that the New York market with its close gearing to the North American continent could not hope to be.

The London gas oil market is expanding for two reasons: it is fulfilling a real need for a futures market relating to oil products; and its practitioners are successfully convincing the main-stream of the oil trade that the market can be useful. Trade has already reached a level of around 1,000 gas oil lots (of 100 tonnes each daily on 9-month forward contracts. The traders in the market are confident that they will be handling some 5,000 lots a day within the next two years.

The beauty of gas oil is that



it is a widely-used oil product representing about one-quarter of the total barrel of crude oil, and it is easily identifiable. The grades of gas oil vary less than the other cuts of the barrel. Although the inevitable fluctuations in oil products quality worried dealers in London at the outset of trading they now conclude that, to quote one, "We are trading a more exact commodity than most other commodity markets."

The precision with which gas oil can be identified is already affecting the development of the London market. No more than 5 per cent of the futures deals done come to fruition as physical trading. The market is essentially a futures market to provide an insurance for oil traders involved in other physical deals. But the deals that do come through to actual delivery have been working smoothly using the mechanism of approved tankage facilities for gas oil in Rotterdam, Amsterdam, and Antwerp.

The purpose of the oil futures market is to take some of the risk out of trading in oil products. The single gas oil contract that has now been traded actively on the floor of the exchange (which is in the Commodity Exchange building, Mark Lane, London) for seven months has proved stronger and more flexible than its backers had expected. Clearly it will be a vehicle for more sophisticated levels of oil products futures trading.

Within the last month traders have started hedging their positions on the London gas oil futures market for lots of up to 20,000 tonne cargoes. The market, having proved it can work, is moving into a bigger league. Optimists among the traders expect that within two years it will be hedging complete crude oil cargoes expressed in terms of gas oil.

European zinc producer quotation cut

BY JOHN EDWARDS, COMMODITIES EDITOR

DIFFERENT CUTS in the European zinc producer price from its present level of $1,000 a tonne were anonunced yesterday. West German smelters Metallgesellschaft first reduced its quoted price by $80 to $920 a tonne, but later the big Canadian producer, Noranda, put its price down by only $50 to $950 a tonne.

The reductions followed the move by Asarco to lower its U.S. selling price for zinc by 2 cents, which effectively undermined the European quotation and provided added confirmation that zinc supplies are more than adequate at present with demand remaining very weak.

The European producer price was raised in July to $1,000—the third increase since April when it was $825.

The increases, however, were the result of a world shortage of concentrates, which has been aggravated in Europe by the strike at Tara Mines in Ireland since July. But the higher prices for zinc have inevitably reduced consumption still further and the continued recession in the U.S. has added the final straw.

Ironically it was reported yesterday that unions at Tara had rejected the latest company offer and the mine now faces closure. As a result, zinc prices on the London Metal Exchange held firm, encouraged by the upturn in copper, and cash zinc closed £3.5 up at £428.5 a tonne.

Copper values moved up strongly, with the high grade cash price closing £26.5 up at £882 a tonne. The three months quotation reached £900 at one stage before easing later to close at £896.25.

The market opened higher following the overnight rise in New York and news that Duval Mining had decided to halt copper output temporarily because the company said it was not worthwhile producing at present price levels. Duval is estimated to produce some 35,000 tonnes a year, but other U.S. copper producers have already announced cuts in output because of poor demand and prices. These have helped reduce surplus supplies and most U.S. producers announced domestic price increases of between 1c and 2c a lb

Aluminium and lead were pushed higher by copper, although Cominco of Canada anounced a cut of 4c to 31c a lb in its U.S. lead selling price. Further reductions by other producers are expected.

Nickel futures were also higher. Entores, the UK company, said it was not issuing its monthly nickel producer price, normally due on the first of the month, until its parent company Le Nickel decides its new world price levels. Last week International Nickel cut its world price from $3.50 to $3.29 a lb and its sterling quotation for December was reduced by £508.5 to £3,678.69 a tonne.

Tin trading was much quieter yesterday. Conditions remained nervous however. While the cash price held steady in line with a sharp rise in the Penang market overnight, the three months quotation closed £92.5 down at £8,117.5 a tonne and fell to £8,060 in late kerb dealing.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL prices generally gained ground on the London Metal Exchange, with the single exception of Tin, where forward metal fell steadily throughout the day to close at £8,060. Copper was boosted by news of production cutbacks, and rose to £892, Lead closed at £352, Zinc at £438, Aluminium at £602 and Nickel at £2,750.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
HighGrade				
Cash	887-.5	+25	881.5-2.5	+26½
3 mths	894-900	+24½	896-.5	+27
Settlem't	887.5	+25	—	......
Cathodes				
Cash	882-.5	+14.5	876-7	+25.5
3 months	894-5	+22	890-1	+24½
Settlem't	882.5	+14.5	—	......
S. Prod	—	......	*78.5-84	......

Amalgamated Metal Trading reported that in the morning high grade cash copper traded at £886.00, 87.00, 88.00, 87.50. Three months £897.00, 98.00, 99.00, 98.50, 900.00, 899.00, 98.00, 97.00, 97.50, 98.00, 98.50. Standard Cathodes, three months £894.00, 94.50. Kerb: higher grade three months £899.00, 98.50, 98.00, 98.50, 99.00, 98.50. Afternoon: *Higher Grade, cash* £882.00. *Three months* £895.00, 94.00, 93.00, 93.50, 93.00, 95.00, 94.50, 95.00, 96.00, 97.00, 96.50, 96.00, 96.5. Kerb: Higher Grade three months £896.00, 95.00, 95.50, 96.00, 96.50, 97.00, 96.00, 95.00, 94.00, 93.50, 93.00, 92.00. Turnover: 27,925 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8350-70	—75	8360-60	—55
3 months	8180-2	—14	8115-20	—92.5
Settlem't	8370	—78	—	......
Standard				
Cash	8350-70	—75	8350-60	—55
3 months	8180-2	—14	8115-20	—92.5
Settlem't	8370	—78	—	......
Straits E.	‡$36.60	+28	—	......
New York	—			

Tin—Morning: Standard, cash £8,390, 8,350. Three months £8,200, 8,190, 85, 80, 90, 95, 90, 85, 80. Kerb: Standard, three months £8,180, 75, 60, 30. Afternoon: Standard, cash £8,300, 50. Three months £8,100, 10, 20, 10, 30, 15. Kerb: Standard, three months £8,120, 10, 8,100, 8,060. Turnover: 2,500 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	346-7	+10½	341-2	+5.5
3 months	354.5-5	+9.75	351-.5	+5.5
Settlem't	347	+11	—	......
U.S. Spot	—	......	*32-5	......

Lead—Morning: Cash £348.00. Three months £357.00, 56.00, 56.50, 57.00, 56.00, 54.50, 55.00. Kerb: Three months £354.00. Afternoon: Three months £351.00, 50.00, 51.00, 51.50. Kerb: Three months £351.00, 52.00, 53.00, 54.00, 53.50, 53.00, 52.00. Turnover: 6,025 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	436.5-7	+12	428-4	+3.5
3 months	443-5.4	+10.5	437-.5	+4.5
S'ment	437	+12	—	......
Primw'ts	—	......	*46.75-50	......

Zinc—Morning: Cash 437.00. Three months £444.00, 44.50, 45.00, 44.50, 44.00, 45.00, 44.00, 43.50. Kerb: Three months £441.00, 39.00, 40.00, 39.00, 38.00, 39.00. Afternoon: Three months £438.0, 38.00, 37.00. Kerb: Three months £441.00, 40.00, 39.00. Turnover: 10,025 tonnes.

Aluminim	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	582-3	+21	574-81	+18½
3 months	603.5-4	+20½	601-2	+17½

Aluminium—Morning: Three months £605.00, 01.00, 02.00, 04.00, 03.00, 02.00, 03.50, 03.00, 02.50, 03.00, 03.50. Kerb: Three months £603.50, 04.00, 07.00, 07.50, 07.00. Afternoon: Three months £603.00, 02.00, 01.00, 600.00, 599.00, 600.00, 01.00. Kerb: Three months £601.00, 02.00, 03.00, 04.00, 03.00, 02.00. Turnover: 7,550 tonnes.

Nickel—Morning: Three months £2,755, 60, 55, 70, 60, 65. Afternoon: Three months £2,760, 55, 50. Kerb: Three months £2,750. Turnover: 510 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2765-70	+52.5	2755-60	+17
3 months	2765-70	+50	2755-60	+10

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 3.1p an ounce higher for spot delivery in the London bullion market yesterday at 415.90p. U.S. cent equivalents of the fixing levels were: spot 809c, up 2.2c; three-month 832c, up 3.1c; six-month 858.4c, up 2.9c; and 12-month 915.8c, up 4.4c. The metal opened at 412-416p (804-809c) and closed at 418-422p (818-823c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	415.90p	+3.1	419.75p	+6.75
3 months	430.00p	+3.0	433.75p	+6.25
6 months	444.40p	+5.1	—	......
12 months	474.90p	+5.8	—	......

LME—Turnover 117 (88) lots of 10,000 ozs. Morning: Three months 430.0, 30.5, 31.0, 30.5. Kerb: *Untraded*. Afternoon: Three months 432.0, 32.5, 32.0, 34.0. Kerb: Three months 435.0, 37.0, 38.0, 37.0, 36.0.

COCOA

A steady opening was followed by a brief rally on a producer stockpiling announcement. Physicals remained neglected with only light activity for the near positions, reported Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
Dec	1118-21	+21.5	1122-11
March	1123-24	+20.0	1129-11
May	1130-32	+21.5	1132-17
July	1139-41	+21.5	1141-30
Sept	1146-48	+21.5	1147-35
Dec	1165-69	+24.5	1165-54
March	1162-75	+14.5	1164

Sales: 3,447 (2,252) lots of 10 tonnes.

ICCO—Daily price for December 2: 95.99 (93.63): Indicator price for December 3: 94.00 (93.38).

COFFEE

Increasing strength followed early commission house buying, reports Drexel Burnham Lambert. A firm New York inspired continued support and short-covering by dealers.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Nov	1106-08	+30.0	1110-85
Jan	1086-88	+25.5	1090-71
March	1083-84	+21.0	1084-68
May	1082-85	+21.0	1085-70
July	1081-85	+21.0	1082-70
Sept	1082-85	+24.0	1074-71
Nov	1080-88	+21.5	—

Sales: 3,858 (3,383) lots of 5 tonnes. ICO 1979 Indicator prices for Dec 1 (U.S. cents per pound): Comp daily 119.82 (120.46); 15-day average 124.26 (124.55).

GAS OIL FUTURES

A further weakening was seen in steady volume. A mid-morning rally to the highs was a reaction to the recent fall. The market eased back again to close in line with the physical market, reports Premier Man.

Month	Yesterdays close	+ or —	Business Done
	$ U.S. per tonne		
November	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]

Turnover: 1,094 (1,084) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 633 tonnes. Consistent buying of various growths continued.

with increasing demand from many sources. North and South American as well as Middle Eastern styles, were sought.

GRAINS

New shipper buying interest produced more support on old crop wheat. Barley was very quiet but found some strength on the back of wheat. New crops found new interest with some hedge selling but speculative buying firmed the market, Acli reports.

WHEAT			BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Jan	108.55	—0.10	104.00	—0.40
Mar	111.60	—0.10	107.30	—0.15
May	114.60	—0.15	110.10	—0.25
July	117.50	—0.15	—	—
Sep	106.00	+0.15	101.00	+0.25
Nov	109.60	—0.20	105.00	+0.50

Business done—Wheat: Jan 108.85-108.50, March 111.90-111.60, May 114.95-114.60, July no trades, Sept 106.00-105.75, Nov 109.65-109.40. Sales: 203 lots of 100 tonnes. Barley: Jan 104.50-104.00, March 107.55-107.30, May 110.40 only, Sept 100.95-100.75, Nov 104.50 only. Sales: 75 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent, Dec 111, Jan 112 transhipment East Coast. English Feed fob Jan 112 paid East Coast. Maize: French first-half Dec 128.50, second-half Dec 129.50, Jan 131 quoted transhipment East Coast. South African White/Yellow Dec 83. Barley: English Feed fob Jan/March 110.75, April/June 114.50 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: N. East 108.00. Feed barley: Eastern 100.90, E. Mids. 100.00, N. East 101.30, Scotland 101.00. The UK Monetary Coefficient for the week beginning Monday December 7 is expected to change to 0.920.

RUBBER

The London physical market opened slightly steadier, attracted little interest throughout the day, and closed easier. Lewis and Peat reported a December fob price for No. 1 RSS in Kuala of 206.0 (208.5) cents a kg and SMR 20 173.0 (168.5).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	52.40-52.60	52.40-52.50	52.40
Feb	52.00-52.50	52.40-55.40	55.00
Jan-Mar	52.50-52.40	52.40-52.50	53.10-52.50
Apl-Jne	55.80-56.00	56.20-56.30	56.70-55.80
Jly-Sept	59.00-59.10	59.50-59.60	59.60-59.00
Oct-Dec	62.20-62.40	62.70-62.90	—
Jan-Mar	65.30-65.40	65.90-66.20	65.40
Apl-Jne	68.50-68.90	69.00-69.30	69.20
Jly-Sept	71.40-71.50	71.90-72.50	72.20-71.50

Sales: 144 (295) lots of 15 tonnes and 16 (3) lots of 5 tonnes.

Physical closing prices (buyer) were: Spot 51.25p (51.50p); Jan 52.00p (51.75p); Feb 52.25p (52.00p).

SOYABEAN MEAL

The market opened steady and moved higher on trade buying, reports T.G. Roddick. Prices remained firm and late commission house buying pushed values to the highs.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
December	125.60-27.8	+0.40	—
February	129.60-29.8	+2.29	130.00-28.50
April	131.50-31.8	+1.90	131.70-31.00
June	132.80-35.0	+1.75	132.50-32.10
August	132.50-34.0	+0.75	—
October	136.00-38.8	+0.75	—
Dec	134.00-38.0	+0.25	—

Sales: 154 (53) lots of 100 tonnes.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 366, 382, 373; Jan 372, 378, nil; March 381, 382, nil; May 390, 392, 391-390; Aug 405, 407, 406; Oct 408, 411, 411-410; Dec 414, 417, 416-415; Jan 418, 19, 418; March 428, 428, 427; May 431, 437, nil. Sales: 65.

SYDNEY GREASY—Close (in order: buyer, seller, business). Australian cents per kg. Dec 487.0, 487.5, 487.8-485.5; March 494.6, 496.0, 496.0-493.5; May 506.0, 508.0, 507.0-506.0; July 514.0, 516.0, 516.0-514.0; Oct 512.0, 513.0, 512.8-512.0; Dec 517.0, 519.0, 520.0-517.5; March 524.0, 525.0, 525.0; May 530.0, 532.0, 532.0. Sales: 180.

SUGAR

LONDON DAILY PRICE—Raw sugar £159.00 (same) a tonne cif Dec-Jan shipments. White sugar daily price £167.00 (£166.00).

The market was initially quietly steady. Heavier offerings developed after the EEC released 67,750 tonnes at 24.581 ECUs. Some shortcovering at the close, arrested the decline, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Jan	161.90-65.00	165.00-66.00	166.25-65.00
March	164.80-64.90	168.10-68.25	168.00-64.00
May	166.65-66.75	170.05-70.20	170.50-66.00
Aug	169.50-69.50	173.00-73.10	173.75-69.25
Oct	174.00-74.25	178.00-78.20	177.50-74.25
Jan	171.00-75.25	178.00-79.00	—
March	181.00-81.25	182.00-84.00	181.00

Sales: 4,128 (3,112) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £375.00 (same) a tonne fob for home trade and £268.50 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for December 1: Daily price 12.68 (12.77): 15-day average 12.04 (11.98).

POTATOES

LONDON POTATO FUTURES—Stop-loss and chart buying pushed April up to £102 before profit-taking trimmed gains. The market eased to close just over the low, reports Coley and Harper. Closing prices: Feb 88.60, +1.30 (high 89.10, low 87.60); April 100.20, +1.20 (high 102.00, low 100.00); Nov 68.10, +0.10 (68.10 only). Turnover: 472 (272) lots of 40 tonnes.

★

HIDES—Leeds: prices were normally weaker. Second dears. Ox: 31-35.5 kg, 64.0p a kg withdrawn (65.3p a kg). 26-30.5 kg, 68.2p a kg withdrawn (69.5p a kg): 22-25.5 kg, 78.0p a kg withdrawn (78.2p a kg). Light Cows: 25.5 kg, 76.5p a kg withdrawn (78.1p a kg).

★

GRIMSBY FISH — Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £6.00-£6.60, codling £4.50-£5.00; large haddock £5.20, medium £3.40-£4.50, small £2.70-£3.60; best small plaice £8.00; skinned dogfish (medium) £4.50; rockfish £3.70-£4.30; reds £2.00-£2.70; saithe £3.00-£3.40.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 81.4 to 84.5; Ulster hindquarters 93.0 to 96.0, forequarters 60.0 to 62.5; Eire hindquarters 92.0 to 96.0, forequarters 60.0 to 62.0. Veal: English fats 100.5 to 119.0; Dutch hinds and ends 130.0 to 134.0. Lamb: English small 73.0 to 80.5, medium 74.8 to 80.0, heavy 76.0 to 78.0: Imported frozen: New Zealand PL 62.0 to 63.0, YLs 58.0 to 58.0, YMs 61.0 to 61.0. Pork: English, under 100 lb 46.6 to 56.0, 100-120 lb 47.3 to 54.5, 120-160 lb 44.2 to 52.6.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 98.88p per kg lw (+2.25). UK—Sheep 182.22p per kg est dcw (+9.60). GB—Pigs 78.11p per kg lw (−0.31).

COVENT GARDEN—Prices for the bulk of produce in sterling per package except where otherwise stated. Imported Produce: Oranges—Moroccan: Navels 48/113 4.20-4.50; Outspan: Valencia Lates 48/56/72 4.40, 88 3.60, 112 3.30, 138 3.25, 150 3.25; Spania: Navels/Navelinas 42/130 4.00-4.80. Clementines — Spania: 4.50-5.00; Moroccan: 2/6 3.50-4.60. Satsumas—Spania: 3.00-3.50. Lemons—Outspan: 88/162 4.50-6.00; Cyprus: 3.30-4.50; Jaffa: 150 5.00; Italian: 80/150 4.50; Spania: 40/50 2.40-2.50. Grapefruit—U.S.: Pink 32/48 7.00-8.00; Cyprus: Large cartons 3.60-4.20, small cartons 2.80-3.40; Cuban: Pink 2.00-2.50. Apples—French: New crop, Golden Delicious 20 lb 3.30-3.60, 40 lb 6.50-7.50, Stark Crimson 40 lb 7.00-8.00, 20 lb 3.40-4.00. Granny Smith 7.50-8.50; U.S.: Red Delicious 9.00-13.00; Hungarian: Starking 7.00; Dutch: Cox's 28 lb 4.80-5.20. Pears—Dutch: Comice 14 lb 3.80-3.90, Conference, per pound 0.14-0.18. Peaches—Zimbabwean: 4.00-5.50. Plums—U.S.: Per pound 0.48-0.50. Grapes—Spanish: Almeria 11 lb 2.20-2.80, Negra 3.20-3.60. Cherries—S. African: Per pound 1.00-1.20. Strawberries—Kenyan: 8 oz 0.80-1.00; New Zealand: 8 oz 1.30-1.40; Israeli: 1.10. Raspberries—S. African: 1.80. Litchees Mauritius: Per pound 1.20-1.25. Melons—Spanish: 10 kg, green 4.80-5.00. Pineapples—Ivory Coast: Each 0.40-1.00. Bananas—Colombian: Per pound 0.18-0.19. Avocados—U.S.: Large box 5.50-6.00, small box 2.50; Israeli: 4.00-4.20; Canary: Large box 5.00, small box 4.00. Mangoes—Kenyan: 8/16 5.00; Brazilian: 8.00. Pomegranates—Spanish: 24/60 3.60-4.20. Dates—Tunisian: 30 0.60-0.60; U.S.: 0.50. Figs—Turkish: 48 x 8 oz 0.19-0.20.

English Produce: Potatoes—Per 55 lb, White 2.20-2.50, red 2.50-2.30, King Edward's 2.80-3.10. Mushrooms—Per pound, open 0.40-0.60, closed 0.60-0.70. Apples—Per pound, Bramley 0.22, Cox's 0.20-0.28, Laxton's 0.14-0.20, Russets 0.15-0.25. Pears—Per pound, Conference 0.14-0.18, Comice 0.18-0.22. Cauliflowers—Per 12, Kent 3.20-4.00, Lincoln 2.50-3.00. Cabbages—Per 30 lb bag, Prime/Jan King 1.00-1.50. Lettuce—Per 12, round 1.20-1.60. Radishes—Per 12 x 8 oz pack 1.40. Onions—Per tray x 20 bunches, spring 2.00, 55 lb 40/60 mm 2.00-2.50. Carrots—Per 26/28 lb 0.70-1.00. Beetroots—Per 28 lb, round 0.80-1.20, long 1.20. Parsnips—Per 28 lb 1.20-2.00. Swedes—Per net 0.70-1.00. Leeks—Per 10 lb 1.20-1.60. Sprouts—Per 20 lb 1.60-2.00. Turnips—Per 28 lb 1.20-1.40. Celery—Per 16/36, Hassey 3.50-4.00. Brussels Tops—Per 25 lb 1.20-1.40. Spring Greens—Per 25 lb 1.60-1.80. Savoys—Per 25 lb 1.00-1.20.

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 1 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1100/150	+30	$1100/150
Copper			
Cash h grade	£882	+26.5	£903.5
3 mths	£896.25	+27	£928.75
Cash Cathode	£876	+25.5	£897
3 mths	£890.5	+24.75	£924.5
Gold troy oz	$409.75	+7.25	$431.25
Lead Cash	£341.5	+5.5	£371.75
3 mths	£351.25	+6.5	£385.5
Nickel	£3678.69	......	£4,189.5
Free mkt	230/280c	......	230/280c
Platin'mtr'y oz	£260		£260
Freemkt	£208.15	+1.8	£222.55
Quicksilver†	$420/425	......	$422/427
Silver troy oz	415.90p	+3.1	486.85p
3 mths	430.00p	+3.0	505.45p
Tin Cash	£8,355	—35	£8191
3 mths	£8,117.5	—92.5	£8453
Tungsten22.0lb	$137.32	—0.74	$141.65
Wolfrm22.04lbs	$127/131	......	$133/158
Zinc Cash	£428.5	+3.5	£495.25
3 mths	£437.25	+4.5	$510.5
Producers	$1000	......	$1000
Oils			
Coconut (Phil)	$567.5w	—2.5	$585
Groundnut	‡	......	‡
Linseed Crude	£425	......	£460
Palm Malayan	$487.5	+4	$510
Seeds			
Copra Philip	$355	......	$360
Soyabean(U.S.)	$260.5	+1.5	$264.5
Grains			
Barley Fut.Mar	£107.30	—0.15	£103.75
Maize	£128.5	......	£127.25
Wheat Fut.Mar	£111.60	—0.10	£108.70
No2 HardWint	‡		‡
Other commodities			
Cocoa ship't*	£1,196	+22	£1,250
Future Mar	£1123.5	+20	£1170.5
Coffee Ft' Mar	£1087	+25.5	£1155.5
Cotton A.Index	68.45c	—0.05	74.90c
Gas Oil Jan	$323.25	—1.25	$324.25
Rubber (kilo)	51.25p	—0.25	55p
Sugar (Raw)	£159v	......	£157
Woolt'ps 64s kl	370p kilo	......	382pkilo

‡ Unquoted. w Dec-Jan. x Jan. v Nov-Dec. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

PUBLIC NOTICES

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AMERICAN MARKETS

NEW YORK, December 2.

Expectations of lower cash hog prices on Thursday kept pressure on nearby contracts in hogs while pork bellies rallied late on a technical correction. Precious metals rallied sharply on rumours that President Reagan suffered a heart attack. Copper strengthened on reports that Duval will shut down operations for three months. Cocoa improved on short covering due to reports that producer alliance countries will stockpile 60,000 tonnes. After early weakness on technical factors and weak spot crude prices, heating oil recovered slightly in anticipation of American Petroleum Institute stocks news, reported Heinold.

Copper—Dec 76.40-76.50 (74.20). Jan 77.05 (74.80). Feb 77.80. March 78.40-78.70. May 80.00-80.20. July 81.60. Sept 82.60. Dec 85.50. Jan 86.25. March 87.80. May 89.35. July 90.90. Sept 92.50.

*Gold—Dec 423.0-424.5 (406.7). Jan 425.5 (409.3). Feb 428.0-429.5. April 436.0-438.0. June 444.0-446.0. Aug 453.7. Oct 462.7. Dec 471.0. Feb 480.9. April 490.6. June 500.4. Aug 510.2. Oct 520.2.

*Platinum—Dec 408.1 (392.6). Jan 410.0-411.5 (393.6). April 421.0-422.0. July 431.4. Oct 443.5. Sales: 2,843.

Potatoes (round whites)—Feb 70.7-71.0 (70.3). *March* 75.5 (75.5). *April* 85.0-85.3. Nov 78.0-79.3. Sales: 266.

§Silver—Dec 848.0-860.0 (810.0). Jan 861.0 (817.2). Feb 869.5. March 880.0-880.0. May 900.0. July 903.0. Sept 934.4. Dec 967.0. Jan 972.0. March 990.8. May 10096. July 10284. Sept 10472. Handy and Harman bullion spot: 822.50 (803.00).

Sugar—No. 11: Jan 12.50-12.60 (12.68). March 12.77-12.81 (12.97). May 12.95-12.98. July 13.14. Sept 13.43. Oct 13.63. Jan 13.74. March 14.22-14.30. May 14.28-14.46.

Tin—735.00-737.00 (735.00-745.00).

CHICAGO, December 2.

Lard—Chicago loose 20.50 (21.00).

Live Cattle—Dec 62.65-62.45 (62.57). Feb 62.10-62.15 (62.40). April 62.20-62.10. June 62.70-62.80. Aug 62.50-62.45. Oct 61.20. Dec 62.30.

Live Hogs—Dec 43.00-43.15 (43.57). Feb 45.35-45.60 (45.52). April 43.65-43.55. June 45.87. July 46.65. Aug 45.50. Oct 44.25. Dec 46.00. Feb 46.85.

Pork Bellies—Feb 60.55-60.80 (59.10). March 60.45-61.12 (59.12). May 61.50-61.70. July 62.00-62.65. Aug 61.25.

†Soyabeans—Jan 653½-652½ (655¼). March 669-668 (67). May 685½-684¾. July 698¼-699. Aug 701-702. Sept 700. Nov 702½. Jan 717½. March 734.

‖Soyabean Meal—Dec 189.5-189.7 (189.1). Jan 191.9-192.1 (191.9). March 195.5-196.0. May 199.5. July 202.5. Aug 202.5-203.0. Sept 203.0. 203.5. Oct 203.5. Dec 206.0-206.5.

Soyabean Oil—Dec 20.08-20.15 (20.21). Jan 20.45-20.42 (20.54). March 20.95-21.05. May 21.45. July 21.95. Aug 22.05. Sept 22.10-22.15. Oct 22.30. Dec 22.50.

†Wheat—Dec 416½-417 (416). March 438½-438¾ (438¾). May 446½-446¾. July 442¼-442½. Dec 468½.

WINNIPEG, December 2.

§Barley—Dec 116.50 (117.10). March 124.00 (124.40). May 130.20. July 130.00. Oct 133.10.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 246.14 (246.39).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. †† Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

Tuesday's closing prices

NEW YORK, December 1.

††Cocoa—Dec 1980 (1904). March 1990 (1911). May 2019. July 2050. Sept 2070. Dec 2110. March 2150. Sales: 3,932.

Coffee—"C" Contract: Dec 136.00-136.40 (136.61). March 128.25-128.50 (129.68): May 124.50-124.75. July 123.50-123.75. Sept 123.00. Dec 122.00-122.25. March 119.00-121.50. Sales: 4,390.

Cotton—No. 2: Dec 61.40-61.50 (61.35). March 63.62-63.64 (63.79). May 65.10-65.15. July 66.65. Oct 68.64. Dec 69.65-69.70. March 70.75-70.85. May 72.00. Sales: 4,400.

Orange Juice—Jan 125.90-126.00 (125.65). March 126.90-127.00 (126.45). May 128.00. July 129.10. Sept 129.90-130.00. Nov 130.90-131.00. Sales: 900.

CHICAGO, December 1.

Chicago Imm Gold—Dec 407.5-408.5 (408.3). March 415.5-416.0 (416.8). June 427.3-428.0. Sept 439.9. Dec 452.5. March 465.3. June 478.3. Sept 491.5.

NEW ORLEANS—Milled Rice Futures (cents per cwt of U.S. No. 2 long grain): Jan 1812½. March 1812. May 1811. Sept 1818.

EUROPEAN MARKETS

ROTTERDAM, December 2.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent, mid-Dec/mid-Jan 213, mid-Jan/mid-Feb 215, mid-Feb/mid-March 218, mid-March/mid-April 221. U.S. No. Two Red Winter, Jan 188, Feb 191. U.S. No. Three Amber Durum, Dec 189, mid-Jan/mid-Feb 203, April/May 200, May/June 201, June/July 201, Sept 206. U.S. No Two Northern Spring 14 per cent, Dec 193, Jan 205, Feb 206, March 209.50, April/May 201, June/July 202.

Maize—(U.S. $ per tonne): U.S. No. Three Corn Yellow, afloat 126.50, Dec 124, Jan 128.50, Feb 131, March 133, April/June 135, July/Sept 138, Oct/Dec 140.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports, Dec 258.50, Jan 263.25, Feb 268, March 271.50, April 273.75, May 275.75, June 277.50, July 279.50, Aug 280.50, Sept 280.50, Oct 280.25, Nov 280.25, Dec 287 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein, U.S. afloat 236, Dec 234.50, Jan 236.50-237, Jan/March 240, traded afloat 236, Dec 235, Jan 237, Jan/March 241, April/Sept 241 sellers. Brazil Pellets, afloat 252, Nov 252, Dec 255, Jan 261.50, Jan/March 260, April/Sept 257 sellers.

Me. No. 20 — — — — — —

Sugar—(FFr per tonnes): March 1842/1845, May 1884/1830, July 1900/1920, Aug 1925/1940, Oct 1960/1990, Nov 1960/1990, Dec 2000/2025, March 2030/2060. Sales at call: nil.

PARIS, December 2.

Cocoa—(FFr per 100 kilos): Dec 1215/1219, March 1215/1220, May 1210/1240, July 1245 bid, Sept 1250 bid, Dec 1280 bid, March 1290 bid. Sales at call: 18.

INDICES

FINANCIAL TIMES

Dec. 1	Nov. 30	Month ago	Year ago
247.51	245.79	258.71	267.63

(Base: July 1, 1952=100).

MOODY'S

Dec. 1	Nov. 30	Month ago	Year ago
988.0	985.1	1000.4	1276.6

(December 31, 1931=100)

DOW JONES

Dow Jones	Dec. 1	Nov. 30	Month ago	Year ago
Spot	362.74	360.81	358.58	450.50
Fut res	367.67	366.74	375.37	494.25

(Average 1924-25-26=100)

REUTERS

Dec. 2	Dec. 1	M'nth ago	Year ago
1618.1	1603.3	1644.1	1743.2

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Trend in equities improves slightly after economic package and Gilt-edged stocks hold early small gains

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18

* "New time" dealings may take place from 9 am two business days earlier.

Activity in London stock markets was further reduced yesterday, investment interest being restrained awaiting details of the economic package. In the event, the Chancellor's proposals which came after the official close, had little immediate impact, although the equity leaders, firm throughout the session, went better in the late dealings.

Once again, interest centred chiefly on special situations, the early dealings being featured by a sharp reaction in **John Brown**, down 14 at 64p, after 62p, following the company's shock statement about a £4m loss this year in its machine tool operations and "serious management shortcomings" in the division. Interim figures well below market expectation prompted weakness in **Pilkington Bros.** which closed at the lowest of the day with a loss of 20 at 278p. In contrast, **English China Clays**, the subject of a dawn raid rumours recently, moved ahead on a revival of speculative demand.

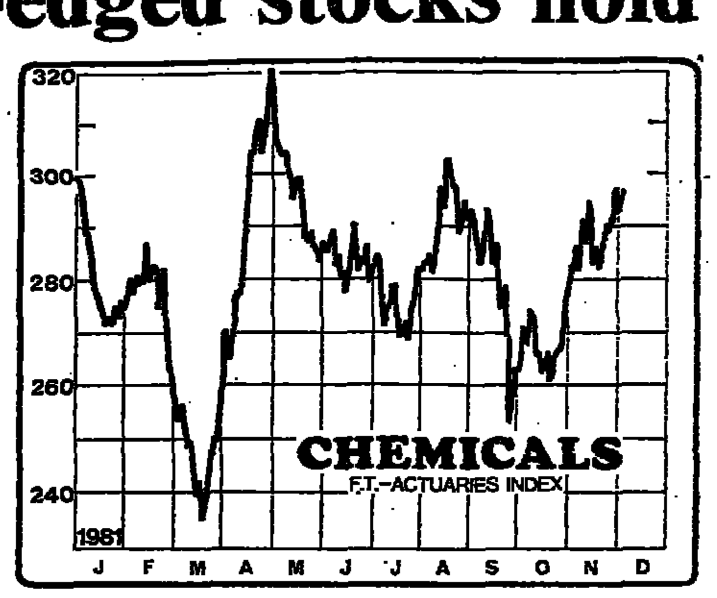
The underlying tone in the equity leaders was steady to firm throughout, the fall of 3.2 in the FT 30-share index at 10 am being more than accounted for by the setback in constituent John Brown. The slightly harder trend in the late dealings transformed a loss of 2.6 at 3 pm into a net increase of 0.2 at the close of 531.0.

British Funds also traded in much steadier conditions after the previous day's setback. Reflecting late overnight business, quotations opened a little easier but soon picked up and settled with gains of ¼ on balance throughout the list. In the after-hours' dealings, quotations fluctuated narrowly either way at the slightly enhanced levels but business remained thin and no decided trend emerged. The Government Securities index picked up 0.09 at 64.30; the index in yesterday's issue was in eror.

Nimslo, which made a poor debut in the Unlisted Securities Market on Monday, encountered further selling and shed another 20 to 145p.

Banks rally

The major clearing banks rallied after the previous day's depression caused by a broker's forecast that current year's profits would be 5 to 10 per cent lower than in 1980. Prices improved from the outset with the market yesterday taking more notice of the circular's further prediction that profits should improve by around 26 per cent in 1982. **Barclays**, at 460p, retrieved 8 of Tuesday's fall of 18, while **Lloyds**, 445p, and **Midland**, 335p, picked up 7 apiece. **NatWest** held at 408p. Elsewhere, **Bank of Scotland** put on 5 to 450p and **Royal Bank of Scotland**, awaiting today's preliminary results, hardened 2 to 188p. Reports that the settlement of the Reksten dispute may cost the bank £26m prompted a reaction of 2 to 152p in **Hambros**.



Third-quarter profits in line with market expectations left **Phoenix** a couple of pence cheaper at 256p, after 254p.

The reduction in Japanese import tariffs on Scotch whisky from April next year prompted a useful two-way business among Wines and Spirits. **Highland** rose 4 to 81p, while **Arthur Bell**, additionally bolstered by favourable Press comment, closed 6 to the good at 150p with the 9½ per cent Convertible rising 3 points to £123. **Distillers** touched 184p before settling for a net gain of 5 at 182p and **Irish** advanced 4 to 52p, the latter in response to the same-again preliminary profits. Breweries also displayed some useful gains, although most finished below the day's best. **Grand Metropolitan** rose 4 to 186p, while **Bass** firmed a penny to 209p, after 211p. **Greenall Whitley**, annual results today, hardened a couple of pence to 140p. **Hardys and Hansons** were again to the fore among regionals, adding 4 for a two-day gain of 12 at 367p.

Stores idle

Barratt Developments touched 265p before closing a net 8 up at 263p on investment demand in a market short of stock. Other Building leaders were steady to firm, **London Brick** adding 1½ to 74p and **Tarmac** a couple of pence to 382p. Elsewhere, **French Kier** reacted to 89p before reverting to the overnight level of 92p on talk, confirmed later, that Trafalgar House had sold its 15.1 per cent stake in the company at around 89p per share. Occasional interest left **John Mowlem** 3 dearer at 180p, but **Wiggins Construct** shed 2 to 73p on second thoughts about the possible merger of its contracting business with that of Newarthill. Among Timber issues, **Montague L. Meyer** softened a couple of pence to 62p; the interim results are due next Tuesday.

Business in **ICI** was reduced, but the price improved 6 to 294p. Elsewhere in Chemicals, **Novo Industries B** attracted support and firmed 3 points to £102.

Lack of investment incentive resulted in another subdued session among leading Stores which held close to the overnight levels. **Burton** added a couple of pence to 135p. **Martin the Newsagent**, preliminary results due in the next Account, added 4 to 224p, but **Currys** shed 5 more to 168p.

Buyers returned for the popular Electrical leaders and closing gains ranged to 10. The Chancellor's late announcement that a further £480m would be available for defence next year had no apparent effect on late sentiment. Awaiting their respective interim statements today, **GEC** rose 10 to 793p and **Plessey** put on 6 to 340p, after 345p. Reflecting the Austrian defence communications contract, **Racal** improved 7 to 425p. Elsewhere, **Ferranti** touched 600p before closing only a few pence dearer at 588p in response to better-than-expected first-half profits.

The chairman's warning that current year profits will be below the already depressed level of last year's completely demoralised the market in **John Brown**, which plummeted to 62p before closing a net 14 down at 64p; around 5m of the group's shares were placed on Monday with various institutions at around 77p per share. Other Engineering leaders closed mixed with **GKN** down 5 at 166p and **Hawker** a couple of pence better at 320p. Elsewhere, **Matthew Hall** hardened a few pence to 220p following the increased third-quarter profits and **F. Pratt** revived with a rise of 5 at 87p. **Vosper** added 4 afresh at 137p and **Metalrax** were notable for a gain of 3 to 40p. **A. Cohen** relinquished 10 to 305p following the half-year figures.

Foods featured **Ranks Hovis McDougall** which jumped in after-hours' trading to 68p before closing a net 5½ up at 67p on talk of an imminent dawn raid on the company from an American source. **British Sugar**, which recently acquired a 14.7 per cent stake in RHM at 68p per share, firmed 6 to 388p. Elsewhere, revived speculative demand in a restricted market lifted **Alpine Soft Drinks** 4 to 69p.

Pilkington weak

Pilkington closed 20 down at the day's lowest level of 278p on the announcement of a 34 per cent contraction in first-half profits due mainly to an increased deficit (£30.7m) incurred by the company's UK operations. Elsewhere in miscellaneous industrials, persisting speculation concerning its publishing interests left **Trafalgar House** a couple of pence up at 97p, while renewed speculative buying on revived talk of an imminent bid, or dawn raid, from Consolidated Goldfields left **English China Clays** 8 up at 154p. Speculative support was also forthcoming for **Sangers** in the wake of the disappointing interim figures and the close was 8 higher at 38p, after 40p. **Hanson Trust** gained 4 more to 288p on further consideration of the good results and proposed 100 per cent scrip-issue. A good trade development in **Hargreaves** which hardened 2 more to 44p, still on the board's confident statement. **Elliott Group of Peterborough** hardened 2 to 43p on the increased share exchange offer from **Jenks and Cattell** now worth 60p per share with the latter closing 8 lower at that level.

After Tuesday's bout of profit-taking, travel concerns returned to favour and **Horizon** rose 7 to 292p while **Intasun** put on 3 to 96p; the latter's interim figures are due next Tuesday.

Newspapers traded quietly and most retained the overnight positions. **Fleet Street Letter**, dealt in the Unlisted Securities Market, were actively traded following the increased interim earnings and confident outlook and closed 3 higher at 93p, after 95p. **Routledge and Keegan Paul** firmed 5 to 128p awaiting today's half-timer. Elsewhere, support was noted for **Bunzl Pulp**, 6 dearer at 159p.

After Tuesday's gain of 8 following preliminary results, **MEPC** were again briskly traded and reacted to 245p before settling just a penny cheaper on balance at 247p. **Land Securities** gave up 4 to 311p, but **Great Portland Estates**, at 184p, recovered a couple of pence of the previous day's fall of 8 that stemmed from the £27m rights issue proposal. Elsewhere in the Property sector, **Churchbury Estates** rose 30 to 670p and **Hammerson A** firmed 5 to 630p. **Trust Securities** put on 14 to 330p awaiting news on the Heathrow development, while **Laganvale Estate** attracted further support and added another 1½ to 29p.

Claremont jump

The Esso and Texaco tanker drivers' votes against industrial action encouraged a firmer trend in Oils, but closing levels were below the best. **British Petroleum**, third-quarter figures today, touched 340p before closing a net 2 dearer at 338p. **Shell** finished 2 cheaper at 402p. **Burmah** firmed 3 to 125p and **Tricentrol** 6 to 270p, but **Lasmo** finished just 2 firmer on balance at 475p, after 480p. After Tuesday's reaction of 30, **Berkeley Exploration** rallied 7 to 370p. Elsewhere the Australian, **Claremont Petroleum**, dealt in under Rule 163 (1) (e), jumped 12 to 37p, after 38p, following a favourable Cooper Basin drilling report.

London and Overseas Freighters eased the turn to 33½p following the mid-term results.

Textiles finished with modest gains where altered. **Courtaulds** added a couple of pence to 74p, as did **Nottingham Manufacturing**, 133p, and **David Dixon**, 110p, the last-mentioned on further consideration of the interim results. **Leeds Dyers**, which also announced results recently, rallied 4 to 65p.

Tobaccos were featured by **Imps** which continued to attract investment support and rose 4 to 72p.

Scattered support was evident for selected Rubbers. **Consolidated Plantations** added 1½ to 52½p, while the **Warrants** jumped 13 to 133p. **Kuala Lumpur Kepong**, 56p, and **Malakoff**, 90p, rose 3 apiece.

Quiet mines

Mining shares were quiet yesterday, tending to be a little easier in the morning and rallying a fraction later in line with other equities.

Gold had a featureless day, but closed $7.25 up at $409.75 an ounce.

In South African Golds, the lower-priced issues showed falls ranging to 24, as in **Durban Deep** at 923p.

Declines between 10 and 20 were common to **East Rand Proprietary**, 615p, **Grootvlei**, 410p, **Doornfontein**, 910p, **Libanon**, 962p, **Venterspost**, 519p and **Stilfontein**, 821p, the last-named in front of the final dividend declaration.

Among the heavyweights, **Kloof**, at £15, **Western Deep Levels**, at £16¼, **President Steyn**, at £14¾, and **Western Holdings**, at £25¼, were all ¼ lower.

By contrast, **Randfontein Estates** registered a gain of ¾ to £30¾, while rises of ⅛ were common to **Buffels**, £19, **Free State Geduld**, £15¾, **President Brand**, £18½ and **St. Helena**, £16¾. Nevertheless, falls outweighed rises and the Gold Mines index gave up 3 to 312.

South African Financials were featured by **Anglo American**, up 24 to 674p, while **Gold Fields of South Africa** gained ½ to £37½, and **UC Investments** firmed 16 to 636p. **Anglo American Gold** gave up ⅜ to £42¼, while **Gencor** at 970p and **Middle Wits** at 640p both closed 10 lower.

London Financials showed **Charter** up 7 at 240p on further consideration of the encouraging interim results. **Gold Fields** edged 2 higher to 477p, and **Rio Tinto-Zinc** lost 3 to 462p.

Australians were mixed in line with overnight domestic markets. In the Golds, **Poseidon** lost 10 to 177p, while **Gold Mines of Kalgoorlie** closed 5 lower at 350p.

Peko-Wallsend finished at 354p, down 6, after 350p, as takeover hopes receeded. **Meekatharra Minerals** put on 10 to 350p following the optimistic tone of the annual statement.

Elsewhere, profit-taking left **Hemerdon** 3 off at 72p after the previous day's gain of 12 on news that the company may sell its stake in the Hemerdon tin-tungsten project in Devon.

FINANCIAL TIMES STOCK INDICES

	Dec. 2	Dec. 1	Nov. 30	Nov. 27	Nov. 26	Nov. 25	A year ago
Government Secs	64.30	†64.21	64.73	64.40	64.36	64.70	70.37
Fixed Interest	64.61	64.53	64.75	64.65	64.58	64.54	71.79
Industrial Ord.	531.0	530.8	537.8	533.4	526.1	526.2	479.3
Gold Mines	312.0	315.0	323.0	320.5	320.7	318.4	508.3
Ord. Div. Yield	5.69	5.72	5.65	5.69	5.74	5.71	7.39
Earnings, Yld. % (full)	9.77	9.79	9.68	9.74	9.76	9.76	16.60
P/E Ratio (net) (*)	13.08	13.07	13.23	13.14	13.13	13.18	7.43
Total bargains	16,530	16,013	19,835	18,340	17,901	18,400	23,676
Equity turnover £m.	—	95.60	110.28	124.35	149.22	137.12	154,627
Equity bargains	—	13,363	13,926	13,155	13,579	13,822	20,119

10 am 527.6. 11 am 527.2. Noon 527.4. 1 pm 527.1. 2 pm 527.6. 3 pm 528.2.

Latest Index 01-246 8026

*Nil=11.68

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35 Gold Mines 12/9/55. SE Activity 1974

†Correction.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 1	Nov. 30
—Daily		
Gilt Edged Bargains	198.0	218.2
Equities Bargains	86.6	90.2
Value	193.2	222.9
5-day Avrge.		
Gilt-Edged Bargains	197.7	195.4
Equities Bargains	87.9	87.5
Value	249.2	255.8

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or –	Net div.	Times covered	Gross yield	P/E ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or –
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or –
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. ... F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1986-88.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Allied-Lyons	75	+ ½	GEC	793	+10
Barratt Devs.	263	+ 8	MEPC	247	– 1
Brown (J.)	64	–14	Pilkington	278	–20
Eng. China Clays	154	+ 8	Plessey	340	+ 6
Ferranti	588	+ 3	Racal Electronic	425	+ 7
Fleet St. Letter	93	+ 3	Sangers	38	+ 8

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Tuesday's closing price pence	Day's change	Stock	No. of price changes	Tuesday's closing price pence	Day's change
Hanson Trust	17	284	+ 5	Land Sec.	11	315	– 1
MEPC	15	248	+ 8	BAT Inds.	10	343	– 7
RTZ	12	465	–12	Bronquean	10	49	– 3½
Barclays Bank	11	452	–13	Dawson Intl.	10	142	– 2
Charter Cons.	11	233	+ 3	NatWest Bk	10	408	–12
GEC	11	783	—	Nimslo Int.	10	165	–15
Grt. Portland	11	182	– 8	Unilever	10	615	– 5

CONTRACTS AND TENDERS

SYRIA

PUBLIC ESTABLISHMENT OF ELECTRICITY
FINANCIAL DIRECTORATE—
EXTERNAL CONTRACT SECTION

Extension of the closing date of Tender No. 1405.

Following our advertisement for the Tender No. 1405 concerning the construction of a thermal power station of 2 x 120 MW in south Syria which is mentioned in the daily bulletin of official Tenders No. 3912 dated 21st May, 1981.

Please be informed that the closing date of the above-mentioned Tender became Wednesday, 3rd February, 1982, and the opening of the offers will take place at 10 o'clock on Thursday, 4th February, 1982.

The General Director of
PUBLIC ESTABLISHMENT OF ELECRICITY
Eng. R. Idriss

LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT 1948 AND IN THE MATTER OF CAR HIRE CENTRE INTERNATIONAL LIMITED

Registered Office: 218 Strand, London WC2R 1DG.

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at 218 Strand, London WC2R 1DG on 16th December 1981 at 11.30 am for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 19th day of November 1981.

By Order of the Board
MICHAEL J. GRAYBOW, Director

No. 00842 of 1979
THE COMPANIES ACT, 1948
IN THE MATTER OF MEREWORTH ESTATES LIMITED

NOTICE IS HEREBY GIVEN that a First and Final Dividend to unsecured Creditors is intended to be declared in the above-named Company and that those Creditors who have not already proved their claims are to come in and prove such claims on or before the 18th December 1981 after which date the Official Receiver and Liquidator of the above-named Company will proceed to distribute the assets of the said Company having regard only to such unsecured Creditors as shall then have proved their claims.

J. A. SELL,
Official Receiver and Liquidator,
Atlantic House,
Holborn Viaduct,
London EC1N 2HD.

NEW HIGHS AND LOWS FOR 1981

NEW HIGHS (16)

AMERICANS (1)
American Nat. Res.
BEERS
Bell (A.) Bell Sbpe Cnv.
CHEMICALS (1)
Int. Paint
ELECTRICALS (1)
BSR
ENGINEERING (2)
Firth (G. M.) Hall (Matthew)
FOODS (1)
British Sugar
INDUSTRIALS (2)
Borg-Warner Utd. Carriers
NEWSPAPERS (1)
Routledge & Kegan Paul
PAPER (1)
Bunzl Pulp
PROPERTY (1)
C.A.L.A.
TEXTILES (1)
Leeds Dyers
OIL & GAS (1)
Claremont Pet.
MINES (1)
Pengkalen

NEW LOWS (16)

CANADIANS (1)
Massey Ferguson
BANKS (1)
Westland-Utr.
STORES (2)
Greenfields Stanley (A. G.)
ELECTRICALS (1)
Utd. Chemicals
ENGINEERING (2)
Blackwood Hodge Elliott (B.)
INDUSTRIALS (5)
Cowan de Groot Hoover A
Elswick-Hopper Wood & Sons
Gestetner A
TEXTILES (1)
Yorkshire Fine Woollen
OIL & GAS (2)
London Am. Energy N.V. London Am. Energy N.V. Invs.
MINES (1)
Pacific Copper

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	1	23
Corpns. Dom. and Foreign Bonds	4	4	65
Industrials	210	250	895
Financial and Props.	79	80	349
Oils	30	23	52
Plantations	6	3	13
Mines	22	45	91
Others	50	36	67
Totals	478	442	1,555

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 30	Dec 11	Mar 11	Mar 22
Dec 14	Dec 29	Mar 25	Apr 5
Jan. 4	Jan. 15	Apr. 15	Apr. 26

For rate indications see end of Share Information Service

Calls were taken out in ICI, Daejan, Town and City Properties, Western Selection, Premier Oil, Comben, Woodside, Royal Bank of Scotland, Imps, Lee Cooper, Distillers, Atkins Brothers and Bougainville. Puts were arranged in GEC and Royal Bank of Scotland, while doubles were struck in ICI, Woodside and Royal Bank of Scotland.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed., Dec. 2, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues., Dec. 1 Index No.	Mon., Nov. 30 Index No.	Fri., Nov. 27 Index No.	Thurs., Nov. 26 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	349.66	+0.3	9.96	4.51	12.37	348.74	351.64	349.44	346.58	298.38
2	Building Materials (25)	301.91	–1.1	14.98	5.70	7.63	305.15	307.47	305.83	301.21	241.86
3	Contracting, Construction (28)	523.28	+0.3	18.14	5.29	6.44	521.58	527.36	525.09	515.69	414.42
4	Electricals (30)	1206.91	+1.1	7.56	2.38	16.52	1193.30	1200.38	1194.02	1184.64	959.05
5	Engineering Contractors (9)	488.42	–0.3	12.97	5.68	9.00	489.73	491.63	491.12	490.28	360.46
6	Mechanical Engineering (66)	189.36	–0.1	11.14	5.75	11.47	189.64	191.61	190.13	189.48	178.50
8	Metals and Metal Forming (12)	162.72	–1.3	8.47	7.46	15.96	164.89	167.46	166.27	166.72	147.58
9	Motors (21)	93.13	–0.4	—	7.25	—	93.46	95.33	94.51	93.44	92.65
10	Other Industrial Materials (18)	368.14	+0.3	9.02	6.15	13.44	366.92	369.75	366.01	363.16	0.00
21	CONSUMER GROUP (198)	269.07	+0.3	13.32	6.13	9.24	268.17	271.59	269.43	268.76	243.29
22	Brewers and Distillers (20)	281.24	+1.4	15.98	6.89	7.53	277.24	279.31	274.40	274.19	220.90
25	Food Manufacturing (21)	262.38	–0.5	15.66	6.48	7.70	263.59	265.16	264.13	263.83	214.52
26	Food Retailing (15)	538.97	+0.7	9.86	3.63	12.26	534.98	540.57	537.93	544.05	443.30
27	Health and Household Products (7)	338.97	–0.7	9.26	4.72	12.69	341.31	347.39	346.96	349.57	242.24
29	Leisure (24)	419.91	+0.3	9.63	5.24	12.92	418.79	423.39	422.28	422.35	356.97
32	Newspapers, Publishing (12)	482.36	+0.1	12.78	6.25	11.34	482.11	482.03	478.86	476.13	433.46
33	Packaging and Paper (13)	131.27	+0.2	15.71	8.21	7.59	131.00	133.53	131.98	131.17	115.99
34	Stores (46)	240.83	+0.1	11.90	5.59	11.28	240.69	244.69	241.95	241.20	247.95
35	Textiles (23)	157.13	+0.6	9.69	6.28	13.47	156.18	158.71	157.62	153.13	122.30
36	Tobaccos (3)	256.55	+1.9	22.56	10.16	5.09	251.74	257.36	256.38	249.67	199.32
39	Other Consumer (14)	252.42	–0.5	7.64	7.16	21.69	253.76	255.89	251.94	251.95	0.00
41	OTHER GROUPS (80)	225.41	+0.9	10.85	6.17	11.88	223.34	225.77	224.90	221.08	216.96
42	Chemicals (16)	296.54	+1.4	5.38	6.05	31.22	292.42	297.44	297.50	290.14	296.41
44	Office Equipment (4)	112.67	+1.3	16.23	7.82	7.37	111.26	112.59	113.56	107.76	101.36
45	Shipping and Transport (13)	499.27	+0.5	21.46	7.40	5.55	496.95	499.94	494.54	495.46	357.29
46	Miscellaneous (47)	285.24	+0.5	12.95	5.65	10.01	283.74	285.42	283.13	280.69	265.03
49	INDUSTRIAL GROUP (487)	290.37	+0.4	11.71	5.52	10.58	289.25	292.38	290.40	288.49	254.87
51	Oils (13)	772.92	+0.2	18.42	7.30	6.15	771.12	773.86	770.61	758.40	1003.63
59	500 SHARE INDEX	329.44	+0.4	12.96	5.85	9.32	328.26	331.37	329.29	326.55	313.99
61	FINANCIAL GROUP (119)	257.77	+0.4	—	5.98	—	256.74	260.42	258.75	257.07	258.87
62	Banks (6)	286.91	+1.3	31.12	6.56	3.78	283.29	291.82	289.28	281.95	244.98
63	Discount Houses (9)	255.80	–0.1	—	8.66	—	256.01	255.08	255.08	254.85	291.03
64	Hire Purchase (3)	226.31	+0.2	13.75	8.17	10.07	225.76	225.76	225.76	222.80	213.59
65	Insurance (Life) (9)	256.95	+0.6	—	6.22	—	255.50	259.53	257.70	257.58	246.39
66	Insurance (Composite) (10)	163.04	+0.5	—	8.21	—	162.26	164.31	162.55	163.14	156.98
67	Insurance Brokers (8)	410.19	–0.3	11.35	5.90	11.93	411.46	416.74	417.85	418.80	325.01
68	Merchant Banks (12)	150.86	–0.7	—	5.41	—	151.87	152.23	151.51	150.26	150.28
69	Property (50)	457.17	–0.3	4.78	3.17	28.22	458.33	458.98	458.22	458.61	442.77
70	Miscellaneous (12)	173.17	+0.5	17.40	6.09	7.63	172.29	176.08	173.98	172.21	166.48
71	Investment Trusts (110)	289.17	–0.1	—	5.59	—	289.32	289.83	287.35	287.24	288.48
81	Mining Finance (4)	237.48	+0.2	14.51	5.99	8.29	237.08	242.36	242.08	238.54	248.33
91	Overseas Traders (17)	409.76	–0.8	12.87	7.77	9.48	412.99	414.98	412.69	413.34	433.47
99	ALL-SHARE INDEX (750)	312.97	+0.3	—	5.88	—	311.98	315.14	313.15	310.80	298.85

FIXED INTEREST

	PRICE INDICES	Wed., Dec. 2	Day's change %	Tues., Dec. 1	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.31	+0.17	106.14	—	10.06
2	5-15 years	103.18	+0.13	103.05	—	11.21
3	Over 15 years	105.06	+0.15	104.90	—	12.60
4	Irredeemables	114.04	—	114.04	—	[illegible]
5	All stocks	104.56	+0.15	104.41	—	11.22
6	Debentures & Loans	80.88	–0.03	80.92	—	10.60
7	Preference	60.55	+0.25	60.40	—	6.68

	AVERAGE GROSS REDEMPTION YIELDS		Wed., Dec. 2	Tues., Dec. 1	Year ago (approx.)
	British Government				
1	Low	5 years	13.13	13.19	11.64
2	Coupons	15 years	13.52	13.55	11.63
3		25 years	13.48	13.49	11.63
4	Medium	5 years	15.46	15.50	13.17
5	Coupons	15 years	15.38	15.40	13.35
6		25 years	14.81	14.83	13.03
7	High	5 years	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
11	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12		15 years	[illegible]	[illegible]	[illegible]
13		25 years	[illegible]	[illegible]	[illegible]
14	Preference		[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26p.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	64.5	69.4	.....	2.09
Capital	38.7	41.8	+0.2	4.07
(Accum. Units)	50.0	54.0	+0.3	4.07
General	59.7	64.5	+0.3	4.76
Gilt & Fixed Int.	96.0	101.0xd	+0.1	12.97
Income	37.2	40.2	+0.4	8.75
Worldwide Bond	104.4	110.5	-0.3	6.06
Inv. Tst. Fd.	51.4	55.5	-0.1	4.32
Equitas Prog.	83.3	90.0xd	+0.1	4.54

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	84.7	89.1xd	+0.4	13.63

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds				
Allied 1st	90.5	96.8	+0.1	5.57
Brit. Inds. Fund	76.2	82.0xd	+0.1	6.15
Growth & Income	57.5	61.5	+0.2	4.07
Elect. & Ind. Dev.	46.7	50.0	-0.1	4.80
Allied Capital	98.4	105.3	+0.1	4.74
Hambro Fund	134.5	143.9xd	+0.4	5.84
Hambro Acc. Fund	197.0	210.8xd	+0.6	4.69
Income Funds				
High Yield Fd.	65.0	69.5	+0.4	9.01
High Income	82.6	88.4	+0.2	7.24
Equity Income Fd.	47.6	50.9	+0.1	7.25
Govt. Secs.	22.9	23.5xd	+0.1	13.55
International Funds				
International	36.1	38.6	-0.2	2.20
Japan Fund	29.0	31.0	-0.1	0.53
Pacific Fund	71.9	76.9	-0.1	1.42
Secs. Of America	84.8	90.7xd	-0.4	2.65
Specialist Funds				
Smaller Co.'s Fd.	56.7	60.7	+0.1	3.87
2nd Smlr. Co's Fd.	69.7	74.6	.....	4.02

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632.

American (z)	28.1	30.5	-0.4	1.62
Australian (z)	23.4	25.3	.....	0.99
Far Eastern Tst. (z)	42.3	45.9	-0.2	1.28
High Income	33.4	36.2	+0.1	12.17
Intl. Trust (z)	48.8	53.0	.....	1.43
Basic Resources Tst.	48.4	52.5	-0.1	2.15
Incm. Growth Tst.	24.4	26.4	+0.1	8.47
Pref. & Gilt Tst.	18.7	20.3	.....	15.72
Smaller Co's Trust	28.3	30.7	+0.1	3.55

Chorlarton Fund Managers(g)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.5	16.7	.....	3.86
International	60.8	65.7	+0.5	1.77
High Income	27.6	29.8	+0.1	11.91

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	74.4	78.3	.....	3.69

For Cosmopolitan see Chorlarton Fund Managers.

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	33.7	36.7	.....	12.45
North American	60.4	65.3	+0.1	2.63
Canadian Exempt*	66.4	70.4	.....	3.00
Canadian Trust	55.3	59.7xd	-0.2	3.00
Mkt. Mount. High Inc.*	44.0	46.5	.....	10.30
Recovery	51.3	56.0	-1.5	3.90
Gilt Trust	39.2	41.1xd	.....	14.00

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.5	45.5xd	+0.2	0.54
Cres. Internat'l.	88.7	95.7	-0.3	1.54
Cres. High. Dist.	42.0	45.3xd	.....	9.66
Cres. Reserves	51.0	55.0	+0.1	5.45
Cres. Tokyo	39.5	42.6	-0.1	0.29

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.0	24.5	.....	8.95

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Nov. 20	234.8	250.4xd	.....	5.30

L & C Unit Trust Management Ltd.
The Stock Exchange, London EC2N 1HA 588 2800

L&C Inc. Fund	164.1	169.2	.....	8.86
L&C Intl & Gen Fd.	130.9	136.8	.....	1.64

Legal & General (Unit Tst., Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood 0277 217238

Equity Dis.	93.5	101.7	+0.1	4.45
Equity Acc.	131.1	141.7	+0.1	4.45
Gilt	111.0	116.8xd	+0.2	8.22

Leonine Administration Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114.

Leo Distribution	121.4	128.8	.....	0.42
Leo Accum.	144.1	152.9	.....	0.42

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	73.6	79.1xd	+1.0	4.76
Do. (Accum.)	115.4	124.6	+1.5	4.76
Energy Int.	46.5	50.0	+0.1	1.85
Do. (Accum.)	47.3	50.8	+0.1	1.85
Extra Income	59.2	63.6xd	+0.1	9.51
Do. (Accum.)	84.3	90.6	+0.2	9.51
Income	95.2	102.3	+0.1	7.24
Do. (Accum.)	156.9	168.7	+0.4	7.24
Int. Technology	77.8	83.6xd	+0.1	0.55
Do. (Accum.)	79.2	85.1	+0.1	0.55
N. American & Gen.	50.9	54.7	-0.2	1.19
Do. (Accum.)	51.9	55.8	-0.2	1.19
Pacific Basin	47.0	50.5	+0.1	1.00
Do. (Accum.)	47.0	50.5	+0.1	1.00
Small Cos. & Recy.	55.8	60.0xd	-0.2	2.80
Do. (Accum.)	58.5	62.9	-0.2	2.80
Worldwide Gwth.	86.8	93.3xd	.....	2.24
Do. (Accum.)	116.6	125.3	-0.1	2.24

♦Unauthorised. For tax exempt funds only.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	272.1	286.4xd	+1.2	4.18

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4M 6LD 01-236 6044

Capital Fund	97.9	105.2	.....	3.94
Income Fund	69.2	74.4	.....	10.08

Prices on Nov. 30. Next dealing day Dec. 15.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds				
Capital	48.4	52.0	-0.2	2.68
I.T.U.	34.3	36.8	-0.2	4.03
Select International	364.3	391.7	-0.7	1.68
Univ. Growth	90.5	97.3	.....	0.72
Increasing Income Funds				
High-Yield	55.7	59.8	+0.3	7.92
Select Income	59.1	63.5	-0.2	6.68
High Income Funds				
Gilt & Fxd. Int. Inc.	45.5	47.9	.....	13.02
High Return	64.0	68.8	+0.2	8.63
Income	41.6	44.7	+0.1	10.61
U.K. Funds				
Gilt & Fxd. Int. Grth.	50.6	51.2	.....	5.05
UK Equity	61.6	66.2	+0.1	4.38
Overseas Funds (z)				
Europe	78.5	84.4xd	-0.6	1.45
Japan	127.0	136.5	.....	0.10
S.E. Asia	85.9	92.3	+0.8	0.66
U.S.	119.8	128.8	+0.4	0.72
Sector Funds				
Commodity	131.2	141.0	+0.1	3.28
Energy	139.2	149.6	-0.2	1.29
Exploration Fund (z)	39.4	42.3	+0.4	0.25
Financial Secs.	106.9	114.9xd	-0.2	2.56
New Technology (z)	46.6	50.1	.....	0.25
Fixed-Interest Fund (z)				
Intl. Bond Fd.	60.3	64.4	-0.3	2.28

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	298.6	314.3	-2.0	—
Fixed Int. Acc.	177.0	186.2	-0.6	—
Gtd. Money Fd. Ac.	149.7	157.5	.....	—
Intl. Man. Fd. Acm.	152.9	160.9	+0.7	—
Intl. Fxd. Int. Fd.	106.3	111.9	+0.1	—
Prop. Fd. Acc.	156.0	164.2	.....	—
M'ple Inv. Acc.	239.0	251.5	-0.7	—
Equity Pen. Fd. Acc.	402.8	424.0	-3.2	—
Fixed I. Pen. Acc.	271.7	285.9	-1.1	—
G'td. Mon. Pen. Acc.	201.5	212.1	+0.1	—
Intl. Mn. PnFd. Acc.	177.8	187.2	+1.0	—
Prop. Pen. Acc.	203.2	213.9	.....	—
M'ple Inv. Pen. Acc.	340.2	358.0	-1.3	—

AMEV Life Assurance Ltd.
2-4, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	185.2	195.2	.....	—
Money Fd.	137.7	144.9	.....	—
Equity Fd.	153.7	162.0	.....	—
Fixed Int. Fd.	84.6	89.1	.....	—
Property Fd.	138.7	146.2	.....	—
Managed Pen. Fd.	152.4	160.6	.....	—
Equity Pension Fd.	102.1	107.6	.....	—
Fixed Int. Pens. Fd.	115.3	121.5	.....	—
High Yield Pens. Fd.	115.2	121.4	.....	—
Money Pension Fd.	105.6	111.2	.....	—
Property Pension Fd.	105.1	110.7	.....	—
Flexifund	112.9	119.0	.....	—
AMEV/Framlington				
American & Gen. Fd.	141.8	149.4	+0.8	—
Income Fd.	154.6	162.9	+0.6	—
Intl. Growth Fd.	154.6	162.9	+0.6	—
Capital Fund	128.1	135.0	.....	—

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7. 01-534 5544

Barclaybonds	164.6	173.3	.....	—
Equity	161.6	170.2	.....	—
Gilt-edged	121.5	127.9	+0.2	—
International	114.9	121.0	.....	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.		182.6	.....	—
Portfolio Fd. Init.		139.0	.....	—
Portfolio Fd. Cap.		101.1	.....	—
Portfolio Man. Acc.	54.0	56.8	.....	—
Portfolio Man. Init.	49.8	52.4	.....	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1016

Flexible Finance		1,183	.....	—
Landbank Secs.		55.67	.....	—
Landbank Scs. Acc.	140.9	144.6	.....	—
G. & S. Super Fd.		£8.9600	.....	—

Guardian Royal Exchange
Royal Exchange, E.C.3. 01-283 7101

Guardian Assurance				
Property Bonds	285.8	297.7	.....	—
GRE Linked Life Assurance Limited				
Managed Initial	150.8	158.7	-0.9	—
Do. Accum.	160.5	169.0	-0.9	—
Equity Initial	182.0	191.7	-2.3	—
Do. Accum.	193.8	204.1	-2.4	—
Fixed Int. Initial	128.5	135.3	-1.0	—
Do. Accum.	136.8	144.1	-1.0	—
International Initial	141.2	148.7	+1.9	—
Do. Accum.	150.3	158.3	+2.0	—
Property Initial	111.6	117.5	.....	—
Do. Accum.	118.6	124.9	.....	—
Deposit Initial	112.0	118.0	+0.1	—
Do. Accum.	119.3	125.6	+0.1	—
GRE Pensions Management Ltd.				
Pens. Managed Initial	133.8	140.9	-1.3	—
Pens. Managed Acc.	139.2	146.6	-1.4	—
Pens. Equity Initial	142.9	150.5	-1.9	—
Pens. Equity Acc.	148.7	156.6	-2.0	—
Pens. Fxd. Int. Initial	117.5	123.8	-0.7	—
Pens. Fixed Int. Acc.	122.3	128.8	-0.8	—
Pens. Int'l Initial	123.2	129.7	+1.5	—
Pens. Int'l. Acc.	128.2	135.0	+1.6	—
Pens. Prop. Initial	108.6	114.4	.....	—

The London & Manchester Ass. Gp.
Winslade Park, Exeter. 0392 52155

Cap. Growth Fund		297.1	.....	—
Flex. Exempt Fd.		166.9	.....	—
Exempt Prop. Fd.		159.3	.....	—
Expt. Inv. Tst. Fd.		234.1	.....	—
Flexible Fund		138.4	.....	—
Inv. Trust Fund		188.0	.....	—
Property Fund		111.7	.....	—
Gtd. Deposit Fd.		129.4	.....	—
Fixed Interest Fd.		103.3	.....	—

M & G Group
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588.

American Fd. Bond	74.7	78.5	+0.1	—
Convert. Deposit	157.4	165.4	.....	—
Equity Bd. (Acc.)	197.1	207.1	-0.7	—
Extra Yield Fd. Bd.	96.8	101.7	-0.8	—
Family 82-86		282.0	.....	—
Gilt Bond	123.3	129.6	-0.9	—
High Yield Bond	93.7	98.5	-0.4	—
International Bond	138.4	145.5	+0.7	—
Japan Fd. Bond	65.4	68.8	+0.1	—
Managed Bond	195.8	205.7	-0.1	—
Property Bond	227.2	238.7	+1.9	—
Recovery Fd. Bond	100.0	105.1	-0.7	—
Flexible Pension Fund price on Dec. 1.				
American (Cap.)	126.9	133.4	.....	—
Do. (Accum.)	141.2	148.3	.....	—
Deposit (Cap.)	114.2	120.0	.....	—
Do. (Accum.)	127.0	133.5	.....	—
Equity (Cap.)	127.0	133.5	.....	—
Do. (Accum.)	141.3	148.4	.....	—
Fixed Interest (Cap.)	132.5	139.2	.....	—
Do. (Accum.)	147.3	154.8	.....	—
Managed (Cap.)	131.6	138.3	.....	—
Do. (Accum.)	146.3	153.7	.....	—
PPP Fund (Cap.)	95.5	100.3	.....	—
Do. (Accum.)	106.2	111.6	.....	—
Pacific (Cap.)	180.7	189.9	.....	—
Do. (Accum.)	201.0	211.1	.....	—
Property (Cap.)	116.0	121.9	.....	—
Do. (Accum.)	129.0	135.5	.....	—
Personal Pension		417.1	.....	—

Manufacturers Life Insurance Co.
St. George's Way, Stevenage. 0438 56101

Managed	169.3	178.2	.....	—
Property	150.3	158.2	.....	—
Equity	149.4	157.3	.....	—
Gilt Edged	175.9	185.2	.....	—
Deposit	131.2	138.1	.....	—

Schroder Life Group
Enterprise House, Portsmouth. 0705 27733

Equity	327.5	344.8	+0.2	—
Fixed Int.	165.4	174.2	-0.4	—
Managed	187.1	197.1	+0.2	—
Money	139.1	146.6	+0.1	—
Overseas	116.3	122.5	+1.0	—
Property	234.9	247.4	+0.1	—
CCM Vanguard	126.8	133.6	+0.2	—
K & S Govt. Secs.	140.3	147.8	+0.2	—
Income Distrib.	105.5	111.1xd	-0.4	—
Income Accum.	117.3	123.6	-0.4	—
Capital	106.4	112.1	-0.2	—
General	110.7	116.6	-0.4	—
Europe	99.3	104.6	+0.4	—
Smaller Co's.	105.3	111.0	+0.7	—
American	110.4	116.3	+1.8	—
Tokyo	112.6	118.6	-0.3	—
Gilt & Fxd. Int.	94.2	99.3	-0.6	—
Australian	96.6	101.7	-0.6	—
B.S. Pen. Cap.	170.0	178.6	.....	—
B.S. Pen. Acc.	205.8	216.6	.....	—
Equity Pension Cap.	146.9	154.8	.....	—
Equity Pension Acc.	164.8	173.4	.....	—
Mngd. Pen. Cap.	303.5	319.6	.....	—
Mngd. Pen. Acc.	402.9	424.2	.....	—
F. Int. Pen. Cap.	110.8	116.7	.....	—
F. Int. Pen. Acc.	124.8	131.4	.....	—
Money Pen. Cap.	131.6	138.6	.....	—
Money Pen. Acc.	148.0	155.9	.....	—
Prop. Pen. Cap.	172.0	181.2	.....	—
Prop. Pen. Acc.	193.0	203.2	.....	—

Prices Series 4 December 2. Other prices on request. Pension Series B. Nov 24. Other prices on request.

Scottish Amicable Investments.
P.O. Box 25, Craigforth, Stirling. 0786 3141

Equity	106.4	112.0	.....	—
Fixed Interest	95.6	100.7	+0.1	—
International	108.2	113.9	-0.1	—
Property	100.9	106.3	.....	—
Cash	100.2	105.5	.....	—
Managed	103.5	109.0	.....	—

Scottish Mutual Assurance Society
109 St. Vincent St., Glasgow 041-248 6321

Flex End Nov 17	308.2	317.7	.....	—
Pen. Mngd. Oct. 30	195.1	201.1	.....	—

Scottish Widows' Group

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INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
62	36	Whitney & Thompson 20p	44	......	1.4	—	4.5	—
29	18	Hawkins & Tipson	20	+½	1.0	1.7	7.1	12.1
13	5¼	Hawtin 5p	6	......	0.25	—	6.0	—
69	53	Hay (Norman) 10p	53	......	3.1	0.9	8.4	19.5
139	88	Hepworth Cmic.	102	......	5.25	1.4	7.4	12.8
48	22	Hestair	33xd	−1	†1.0	4.3	4.3	5.8
71	40	Hewitt (J.)	47	......	†1.8	5.2	5.5	4.3
50	26	Highgate & Job 50p	32	......	—	—	—	—
162	40	Hill (Chas.) £1	135	−3	—	—	—	—
37	16	Hirst Mal'son 20p	31	......	♦0.1	—	0.5	—
116	86	Holden (A.)	105	......	5.0	2.2	6.9	7.8
47	24	Hollis Bros	26	−1	—	—	—	—
72	49	Holt Lloyd Int. 10p	53	−2	3.17	1.5	8.5	9.8
163	78	Hoover 'A'	78	−2	‡6.0	—	‡	—
133	39	Hoskins & H 20p	108	......	†2.0	—	2.6	—
76	40	Howard Tenens	58	+1	‡1.55	0.4	‡	63.8
420	210	Hunting Assoc.	210	......	5.0	5.8	3.4	5.3
160	75	Huntleigh 10p	96	......	†1.5	4.2	2.2	11.6
226	120	Hutch Whamp SHK1	164	−2	‡034c	2.7	1.9	28.0
15	9	Hyman (I. & J.) 5p	13	......	‡0.83	0.1	‡	—
£20¼	£12⅞	I.C. Industries$1	£18¾	+1	Q$2.20	—	6.3	—
70	25	ICL	49	+1	‡2.97	—	‡	—
44	35	Ingall Inds. 10p	38½	......	2.5	1.3	9.3	11.6
251	180	Initial Services	226	......	9.0	2.3	5.7	10.4
23	9	Inter-City 20p	21	$-\frac{1}{2}$	—	—	—	—
102	39	J. B. Holdings 10p	102xd	+2	†3.0	4.9	4.2	6.6
192	110	Jacksons Bourne	163	......	5.0	1.4	4.4	24.1
27	12	Jones (M.) Ints. 10p	23	......	1.0	3.3	6.2	5.4
248	118	Jardine M. SHK5	165	......	†Q88c	2.0	4.9	10.3
29½	15	Jentique	22½	......	1.3	0.1	8.3	—
257	152	Johnson Clnrs.	212	......	†7.0	3.4	4.7	7.0
*300	186	Johnson Mthy. £1	272	−3	9.5	2.3	5.0	(9.9)
92	57	Jourdan (T.) 10p	66	......	5.25	1.8	11.4	6.9
81	37	Kalamazoo 10p	39	......	2.5	♦	9.2	♦
170	132	Kelsey Inds.	132	......	♦8.0	4.7	8.7	3.5
148	112	Kennedy Sm. 10p	136	......	4.38	3.2	4.6	9.7
330	225	Kershaw (A.) 5p	240	......	21.75	0.6	12.9	(22.8)
75	47	Keen-E-Ze Hldgs.	50	......	5.5	0.7	15.7	(14.6)
75	55	L.C.P. Hlds	58xd	−1	4.3	0.8	10.6	(17.7)
48½	37	L.R.C. Int. 10p	44½	−1	2.5	1.6	8.0	10.1
56	32½	Lawtex	44xd	+2	1.5	—	4.9	—
178	116	Lead Inds. 50p	163	−1	9.66	1.4	8.5	11.0
80	55	Leadenhall Sterling	65xd	......	3.5	1.5	7.7	10.8
330	275	Lep Group 10p	280	+5	16.5	2.1	8.5	6.4
28	13	Lesney Prods. 5p	17	......	—	—	—	—
148	73	Letraset 10p	145	......	♦7.14	61.3	7.0	(14.0)
45	30	Lilleshall 10p	35	......	3.5	—	14.3	—
41	25	Lon. & Liv. 10p	40	−1	†1.7	3.3	6.2	5.9
128	95	London & Midl'd	101	−1	7.75	1.1	11.3	(11.9)
49½	29	Lon. & Nthn. Grp.	39	......	3.75	2.5	13.7	3.3
30	23	♦Lon. Priv. Health	26	......	—	—	—	—
8½	5½	Long Hmbly. 10p	8½	+½	—	—	—	—
68	38	Longton Inds.	40	......	1.0	—	3.6	—
47	28	Lonsdale Univrsl.	32	......	‡1.85	2.9	‡	5.3
212	148	Low & Bonar 50p	158	......	14.5	1.6	13.8	(5.9)
49	27	M.Y. Dart. 10p	29xd	+½	2.9	1.8	14.3	(4.7)
168	102	M'C'rthy Ph. 20p	112	......	7.0	3.0	8.9	4.8
78	70	Macfarlane Gp.	70	......	3.7	1.9	7.6	8.7
39	15	Macleilan 20p	31	......	1.43	1.7	6.6	(11.0)
77	56	Macpherson (D.)	64	......	♦4.2	0.8	9.4	18.6
60	50	Magnolia Group	54	......	2.1	4.5	5.6	4.3

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
45	32	Acmex 50c	45	......	Q2.5c	—	3.5
41	14	ACM 20c	22	+1	—	—	—
21	8	Argosy Gold NL 25c	9	+1	—	—	—
229	134	Bond Corp.	150	......	Q10c	2.3	4.2

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

OPTIONS

3-month Call Rates

FINANCIAL TIMES

Thursday December 3 1981

EEC offers U.S. curb on steel sales

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Community has offered to negotiate with Washington an "orderly marketing arrangement" for EEC steel exports to the United States.

The plan, which could lead to a reduction of about 1.5m tonnes in the 5m tonnes which the EEC exports annually to the U.S. at present, was put secretly to the U.S. government last month by European Commission officials.

Details emerged yesterday as the Commission announced that top-level talks on transatlantic trade problems will be held in Brussels on December 11.

Mr Malcolm Baldridge, U.S. Commerce Secretary, Mr Bill Brock, Special Trade representative, and Mr John Block, Agriculture Secretary, will meet Viscount Etienne Davignon, the EEC Industry Commissioner, Herr Wilhelm Haferkamp, the External Relations Commissioner.

The agenda will cover industrial and agricultural trade difficulties.

On the same day M Gaston Thorn, the Commission President will meet Mr Alexander Haig, the U.S. Secretary of State.

It is understood that the difficulties surrounding the EEC's surging steel exports to the U.S. will dominate the talks.

EEC officials privately concede that subsidies granted by several member States are worth about $50 (£25.65) a tonne on steel products selling in the U.S. market at between $420 and $520 a tonne. They accept that a political settlement is required to avert U.S. tariffs.

European Commission officials believe that while the December 11 meeting is not likely to produce an agreement, their proposal to restrain exports may be accepted early next year.

U.S. officials in Brussels, however, point out that an orderly marketing arrangement may be incompatible with American anti-trust laws.

The hurdle may not be insurmountable. Japanese and South Korean electronics producers have each in the past applied similar arrangements to exports to the U.S.

Other routes accommodating EEC steel exports seem to be blocked. Use of the U.S. "trigger price" mechanism appears to be ruled out because EEC steel exporting offshoots of U.S. companies and others are believed to be circumventing the scheme. Under this, the U.S. sets a "trigger price" for different types of steel, and any imports landing at less than this level are supposed automatically to attract a surcharge.

British Steel cuts losses, Page 8

No help to business, says Beckett as state sector budget tightens

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

LEADERS OF INDUSTRY were far from enthusiastic last night about the Chancellor's package.

Several nationalised industries will have to trim investment programmes because of external financing limits for 1982-83 set yesterday, and this will hit the hopes of many private-sector companies that they would gain orders from and expansion of public-sector projects.

Precise investment programmes for individual nationalised industries have yet to be set and agreed by the Treasury.

But their broad shape is determined by yesterday's financing limits, and the chairman of several industries last night generally expected to have to make some cuts.

British Telecom was the only State industry to be openly pleased about the announcement.

Sir Terence Beckett, director-general of the Confederation of British Industry, summed up the general reaction of both private and public sectors when he said the measures were "certainly no help to business."

The TUC said the measures amounted to a "disgraceful package from a discredited Government."

As expected, the Chancellor did not announce the cut in the National Insurance Surcharge which the CBI has been campaigning for in recent weeks. Instead he introduced bank charges for national insurance contributions which the CBI said would cost industry £200m a year.

Business rates might rise by another £400m, said the CBI, unless local authorities managed to cut their spending.

The Association of British Chambers of Commerce complained about the impact of the measures on industrial costs.

Mr Walter Goldsmith, director-general of the Institute of Directors and an outspoken supporter of the Government's policies, warned that yesterday was the "last time" the Chancellor would be able to "get away with increasing the effective tax burden on industry and the general public.''

Overall, the package is likely to increase the impatience of industrialists with the Government's policies.

The Chancellor claimed yesterday that he had allowed the natinoalised industries to increase their financing limits by £1.3bn above previous estimates for 1982-83.

But the industries' chairmen are likely to argue that the net impact will be a cut of between £150m and £600m compared with this year.

British Telecom's welcome for its limits stemmed from a belief that after many months of lobbying the Government has shown that it accepts the corporations need for an expanding capital investment programme.

But its £340m limit for 1982-1983 is considerably less than the £500m external financing requirement which British Telecom says it needs to fund its capital investment programme.

Christian Tyler writes: The TUC said the measures would take £1.60 a week from people on average earnings.

"Hitting the poorest hardest is the name of the Chancellor's game," it said.

Markets little affected by Howe's package

BY OUR BANKING CORRESPONDENT

THE CHANCELLOR'S economic statement had little visible impact on the financial markets in late dealing yesterday. The pound's effective exchange rate was unchanged, although the gilt-edged and equity markets were marginally firmer.

The City felt that the package was much as anticipated, the only surprises being the omissions, particularly the absence of any comment on Government money supply targets and what the authorities planned to do about overshooting.

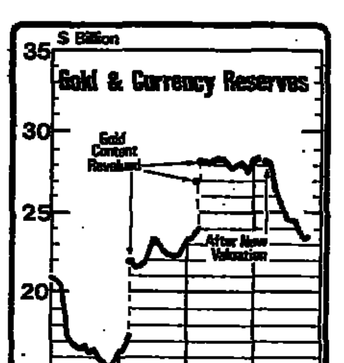
In the money markets, where the seven-day interbank rate — one of the key influences on bank base rates — fell by 1/16 of one per cent to 15 3/16 per cent, its lowest level for over three weeks, dealers noted the Chancellor's comment that his statement intended to "increase the prospects for a reduction in interest rates."

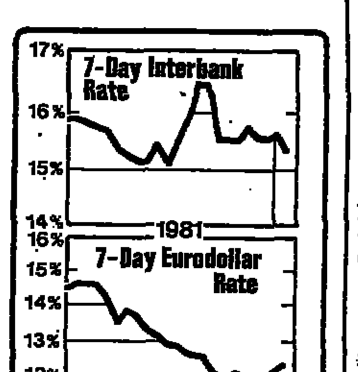
With attention focused on the Chancellor's statement, financial markets took little notice of the official figures for Britain's gold and foreign exchange reserves for November, which showed the first increase for many months.

UK reserves rose by $147m (£75m) to £23.46bn in November, and the underlying increase, after allowing for repayments of public sector borrowing was $254m (£130m). This is the first increase in the underlying reserves since the spring.

In November, the pound rose strongly against the dollar from $1.86 to $1.95 and it is felt that official intervention in the market to stem the rise in the sterling rate was partially the cause for the higher official reserves.

In foreign exchange markets the pound closed higher in London at $1.9530 against Wednesday night's $1.9475, but the trade-weighted index of its value against a basket of other currencies, as measured by the Bank of England, was unchanged at 91.8. The dollar was marginally weaker against other currencies despite another ½ of a per cent rise in three-month Eurodollar rates.





The authorities continued to ensure that there was sufficient liquidity and the Bank of England once again supplied more funds than the forecast shortage.

Prospects for an early cut in bank base rates are not ruled out. But the markets are dependent on a further weakening in the shorter UK money rates and these are being affected by the slightly firmer trend in U.S. interest rates. In addition, next week's UK banking statistics will provide an important clue to the underlying trend in monetary agreegates.

Money markets, Page 32

Weather

UK TODAY

CLOUDY with a few clear periods.

London, S. England, E. Anglia, E. Midlands
Cloudy with drizzle near coasts and light or moderate wind. Max 8C (46F).

Wales, S.W. England, W. Midlands
Cloudy with hill fog and drizzle

N. England, S.W. Scotland, N. Ireland
Cloudy with hill fog and drizzle becoming more persistent. Wind fresh to strong.

Outlook: Cloudy with some rain.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	L. Ang.†	F	12	54
Algiers	S	15	59	Luxmbg.	C	3	37
Amsdm.	C	7	45	Luxor	S	25	77
Athens	S	19	66	Madrid	S	11	52
Bahrain	—	—	—	Majorca	C	14	57
Barclna.	S	16	61	Malaga	S	18	64
Beirut	C	18	64	Malta	F	19	66
Belfast	C	8	46	M'chstr.	S	8	46
Belgrd.	Sn	0	32	Melbne.	C	23	73
Berlin	C	4	39	Mx. C.†	—	—	—
Biarritz	S	8	46	Miami†	C	23	73
Bmghm.	C	7	45	Milan	S	8	46
Blackpl.	C	7	45	Montrl.†	C	5	41
Bordx.	C	5	41	Moscow	C	2	36
Boulgn.	C	5	41	Munich	Sn	0	32
Bristol	C	6	43	Nairobi	—	—	—
Brussels	R	6	43	Naples	S	10	50
Budpst.	C	2	36	Nassau	—	—	—
Cairo	F	20	68	Nwcstl.	S	6	43
Cardiff	F	8	46	N York†	R	12	54
Cas'b'ca	F	20	68	Nice	S	10	50
Cape T.	S	25	77	Nicosia	S	18	64
Chicg.†	C	1	34	Oporto	S	15	59
Cologne	F	5	41	Oslo	F	−7	19
Conhgn.	F	5	41	Paris	C	6	43
Corfu	F	15	59	Perth	C	22	72
Denver†	F	2	36	Prague	Sn	0	32
Dublin	C	8	46	Reykjvk.	R	9	48
Dbrvnk.	C	7	45	Rhodes	C	16	61
Ednbgh.	F	3	37	Rio J'o†	—	—	—
Faro	S	17	63	Rome	S	12	54
Florence	S	7	45	Salzbrg.	Sn	0	32
Frankft.	C	5	41	S F'cisc†	C	10	50
Funchal	S	20	68	S. Mritz	—	—	—
Geneva	S	4	39	Singapr.	—	—	—
Gibraltar	S	18	64	S'tiago†	—	—	—
Glasgow	F	6	43	Stckhm.	C	−2	28
G'rnsey	F	9	48	Strasbg.	F	5	41
Helsinki	C	0	32	Sydney	F	25	77
H. Kong	F	15	59	Tangier	S	19	66
Innsbrk.	Sn	0	32	Tel Aviv	F	12	54
Invrnss.	C	7	45	Tenerife	S	22	72
I.o.Man	F	9	48	Tokyo	S	9	48
Istanbul	C	11	52	T'ronto†	C	4	39
Jersey	F	9	48	Tunis	C	15	59
Jo'burg	—	—	—	Valencia	S	17	63
L. Pims.	S	21	70	Venice	F	5	41
Lisbon	S	14	67	Vienna	C	3	37
Locarno	S	11	52	Warsaw	C	1	34
London	C	7	45	Zurich	F	2	36

C—Cloudy. F—Fair. R—Rain.
S—Sunny. Sn—Snow.
† Noon GMT temperatures.

Public spending

Continued from Page 1

The Chancellor made a point of saying that employers' National Insurance contributions would be exempted from any increase next year.

The Treasury forecast also assumes that tax thresholds will be raised in line with inflation.

The biggest concessions which the Treasury appears to have made in its recent battle with spending Ministers are an extra provision of £1.35bn for local authorities' current spending and an increase of £500m for the defence budget.

These are added to the £1.3bn increase in nationalised industries' external finance limits and the £800m for employment and training, which were probably less fiercely resisted.

Sir Geoffrey told the House: "Local authorities are likely to overspend substantially this year. We recognise that it would not be practicable to eliminate this overspend in a single year."

The £1.35bn increase would give local authorities a "reasonable" target to aim at but would still oblige them to make "substantial economies."

The Treasury is expecting imports to surge a substantial 8.5 per cent next year, against a rather more modest increase in imports of 2.5 per cent. The balance of payments surplus on the current account is expected to fall to £3bn compared with the £6bn outturn expected for this year.

Consumers' spending is expected to show no increase at all, but fixed investment is forecast to increase by 2.5 per cent.

Although Sir Geoffrey did not mention any plans to recast the Government's monetary targets, the Treasury forecast assumes that interest rates will be determined by "a number of factors . . . which include all the monetary aggregates and the exchange rate."

This confirms a significant shift of emphasis since the Government came to office.

John Brown division will lose £4m

BY HAZEL DUFFY AND CHRISTINE MOIR

THE JOHN BROWN engineering group has suffered "serious management shortcomings" in its machine-tool division which, combined with a dramatic worsening of market conditions, will lead to the division's having £4m loss in this financial year, it said yesterday.

Mr John Mayhew-Sanders, chairman and chief executive, warns in a letter to shareholders that these events, and the state of the UK and U.S. economies, mean that this year's profit will not match last year's £14.2m before tax.

The letter, which contrasts with his fairly optimistic statement in July when the annual report and accounts were published, comes two days after many John Brown shares, 3.8 per cent of the equity, were placed by the stockbrokers James Capel.

The placement is expected to lead to an immediate Stock Exchange inquiry.

Yesterday's announcement came only three months after a £24m rights issue from the company, when Mr Mayhew-Sanders said that "trading performance and profitability" had shown "a most encouraging resilience."

He admitted yesterday that the proximity of his letter to the rights issue was "causing considerable concern and embarrassment to myself and my fellow directors."

John Brown's machine-tool interests have been a source of problems for some time. There has been a concerted effort to rationalise several subsidiary companies and plants into two major concerns, Wickman, and Webster and Bennett, both at Coventry.

The reorganisation did not bring the planned returns. This summer the machine-tool interests were regrouped into a division centred on John Brown's manufacturing interests in the U.S.

The financial implications of the management shortcomings, not specified in the letter to shareholders, came to light only recently.

The chief executive of the machine-tool division, brought in from another part of the group to carry out reorganisation a couple of years ago, left in the summer.

More management changes seem likely in the coming months.

Mr Mayhew-Sanders will make an interim report in late January with a profits forecast for the year to March 31.

Details Page 24

Merrett pioneers placing at Lloyd's

BY JOHN MOORE

A PRIVATE £1.6m share placing by Merrett Holdings, which owns one of the most powerful underwriting agency companies at Lloyd's of London, yesterday signalled a major commercial upheaval in the Lloyd's insurance community.

Merrett Holdings, headed by Mr Stephen Merrett, an influential Lloyd's underwriter, is placing 1.5m shares (representing 7.5 per cent of its total equity) at 105p per share with a variety of institutions, such as pension funds and investment trusts. It is also offering the shares to its employees and members of Lloyd's whose affairs are looked after by the group.

It is the first placing of its kind at Lloyd's. The Merrett organisation says its long-term plans could include seeking a Stock Exchange listing for the group's equity.

Merrett is a large independent underwriting agency. Most other underwriting agencies at Lloyd's are owned by Lloyd's insurance brokers. Parliament has ruled that brokers should sell their shareholding links with underwriting agency management companies because of possible conflicts of interest.

Mr Merrett said yesterday his scheme could provide an answer for underwriting agencies seeking capital after they are sold off from their parent broking companies. Agencies owned by the brokers rely at present on capital support from their broking parents.

A new financial sector could be created on the stock market in the future with publicly quoted underwriting agency companies.

Merrett is using the capital raisedto facilitate future expansion. Mr Merrett said the group had no formal plans to take over underwriting agencies which the brokers are to sell.

"The brokers will be needing to find buyers of these agencies," he s aid. "It may be that those that run the agencies or other potential buyers will be interested in partnership with a management company like ours, establishing joint ventures." In this way, management expertise and capital could be provided to newly independent agency companies.

Lloyd's by-electio ndate, Page 8

Continued from Page 1

Tanker

month. This was widely rejected in shop-floor votes.

However, when BP drivers voted to accept the revised offer after two polls, Texaco shop stewards agreed to postpone strike action and await the results of more ballots at Shell and Esso.

Yesterday's decision not to strike is likely to undermine attempts by smaller companies to win an 11 per cent settlement. About 80 drivers at Chevron are on strike in support of the claim, and Total drivers began an overtime ban last week.

Mr Ashwell said strikes at the smaller companies were unlikely to go on. "Obviously the consequences of today are going to have an effect, but they will have to make up their minds for themselves in the light of the circumstances," he said.

German

Continued from Page 1

last autumn, the number of, mainly elderly, West Germans and West Berliners, crossing into the East has fallen by 40 per cent.

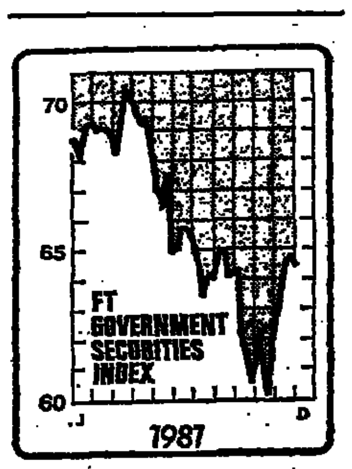
It is considered possible that East Berlin may reduce this currency requirement for the aged and for young Westerns if the economic issues can be resolved.

In January last year a planned meeting between the German leaders was called off

THE LEX COLUMN

Money policy in the dark

Index rose 0.2 to 531.0



As far as it goes, yesterday's statement by the Chancellor sketches out a reasonably encouraging framework for the gilt-edged market, and perhaps for equities too. The Government is still reasonably confident that its PSBR target of £10½bn for the 1981-82 will be achieved, and there is a possibility of some reduction—as outlined in the medium-term financial strategy—in 1982-83.

The outcome, however, is bound to be sensitive to the degree of buoyancy in the economy over the next year or more. Here, the Treasury is taking a moderately optimistic line, not only in respect of the domestic UK economy, but also of the level of world trade. Such projections must be higly uncertain at a time when the U.S. economy, in particular, is suffering a sharp retrenchment.

Moreover, the Chancellor was ostentatiously silent on the subject of monetary policy, where it looks suspiciously as though the authorities have not yet made up their minds on how they can get themselves off the sterling M3 hook. Next Tuesday's preliminary data for banking November may have more relevance for short-term interest rates than yesterday's pronouncement. Meanwhile there is no indication of how any overshoot this year will be tackled.

There is certainly no hint that attempts at clawing back excess money growth will be made next year, given that the Treasury's forecasts are constructed on the assumption that sterling M3 will grow at a rate towards the top end of the 5 to 9 per cent range laid down in the medium-term framework.

As ever, the Government's economic balance remains a very delicate one. Unless the economy shows some signs of recovery, the political pressures will continue to mount. But unless activity remains comparatively sluggish, it will be impossible to impose the real wage cuts in the public sector which are implied by the 4 per cent cash target at a time when inflation is still running at around 10 per cent.

John Brown

Only weeks after its £25m rights issue was stranded by the equity market fall, John Brown has had to face the exquisite embarrassment of putting out a statement so bearish that brokers' forecasts of profits in the year to March have tumbled from around £19m to £12m—against £14m pre-tax in 1980-81. The new American management of the UK machine tools division has discovered unpleasant surprises when going through the books—errors of judgment had apparently been "obscured" in the internal accounts for several months. At the same time demand for some products of this division has collapsed on both sides of the Atlantic, and the trailer business, which had been holding up relatively well until recently, has begun to undershoot its budget by some margin.

All this overshadows the deployment of $44m of cash (a 70 per cent premium to asset values) into the U.S. machine tool company Olofsson, which Brown believes will help solve the structural problems of its machinery division. Brown's dividend is presumably safe but any increase even next year is looking unlikely and the 9¼ per cent yield at last night's share price of 64p, down 14p, may not be enough. The company's experience of patches of steeply falling demand places a question mark over some other engineering stocks. Finally the well-timed sale of 5m shares—3.8 per cent of the company—earlier this week cries out for Stock Exchange investigation.

Pilkington

Even a very cautious statement at the annual meeting failed to prepare the market for yesterday's grim interim figures from Pilkington Brothers. Pre-tax profits have fallen 35 per cent to £22.9m during the six months to September and the shares closed 20p lower at 278p. After a heavy overseas tax charge, only the book profit on asset sales in Canada spared the company an attributable loss of around £10m.

The picture in the UK, where Pilkington lost £15m before reorganisation costs, is even worse than at the bottom of the last cycle six years ago. Fibreglass output is running at about 55 per cent of capacity, float glass is little better and the closure of a Triplex factory last year has failed to stem the losses in safety glass. Cash is pouring out of the domestic business and there is little prospect of an early recovery in demand.

Licence income and the overseas operations are sheltering the UK losses but they may look more exposed a year from now. Licence revenues are hitting their peak and the Flachglas acquisition, in for a full six months, is grappling with a German economy that has still to hit bottom. It probably contributed about £5m in the first half, after deducting interest on the cash element of the purchase, but trading profits are still well below last year's level. The other overseas companies have all done well, with the exception of Scandinavia, and the stronger pound has helped to the tune of about £5m overall.

The UK will look a lot better in the second half, thanks to lower reorganisation costs and the sesonal demand pattern, and the final dividend will surely be maintained. But that may not be enough to hold the shares on a yield as low as 5.5 per cent.

Ferranti

Ferranti pre-tax profits have jumped by 47 per cent to £9.4m in the first half, but the underlying improvement is mirrored more accurately at the trading level, where there has been an 18 per cent gain. It looks as if the company can rely on this kind of underlying profits growth for the next three or four years. By 1985, however, the Tornado programme is likely to have peaked and the navy cuts will be coming into effect.

Growth at the Scottish Group has been running at about 20 per cent in the latest half, while Computer Systems is showing a more modest rise of 12 per cent. Pre-tax profits may approach £23m for the year, against £18.1m, but by the time of the announcement, the focus of interest will be the imminent termination of the restrictive convenant on half the shares. Yesterday the price rose 3p to 588p to produce a prospective yield of 1.9 per cent.

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